

Financial Statements  
December 31, 2021

**Garrison Diversion Conservancy District**

Garrison Diversion Conservancy District

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December 31, 2021

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Garrison Diversion Conservancy District  
Board of Directors by County (Unaudited)  
December 31, 2021

County	Name	Address	Term Expires	
			2022	2024
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	Kassian, Larry	1243 Territory Drive Bismarck 58503		12-31
Cass	Fenstad, Roger	3415 46th Ave S Fargo, 58104	12-31	
Dickey	Zimbleman, Donald	8538 97th Ave SE Fullerton, ND 58441		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, 2021

County	Name	Address	Term Expires	
			2022	2024
Nelson	Marquart, Nancy	206 5th St E Lakota, ND 58344		12-31
Pierce	Anderson, Dave	6590 30th Ave NE Rugby 58368	12-31	
Ramsey	Blanchfield, Kyle	1012 Woodland Drive Devils Lake, ND 58301	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	Orn, Brian	12224 Highway 13 Stirum, ND 58069		12-31
Sheridan	Pellman, Jim	PO Box 314 McClusky, ND 58463		12-31
Steele	Krueger, Brandon	12663 6th St SE Hope, ND 58046		12-31
Stutsman	Kaiser, Geneva	1712 8th Ave NW Jamestown 58401	12-31	
Traill	Krivarchka, Dr. Bill	40 Westwood Drive Mayville 58257	12-31	
Ward	Walter, Alan	805 Bavaria Drive Minot 58703	12-31	
Wells	Ongstad, Bill	4135 25th Street NE Harvey 58341	12-31	
Williams	Koeser, E. Ward	1306 4th Avenue East Williston 58801		12-31



## Independent Auditor's Report

To the Board of Directors  
Garrison Diversion Conservancy District  
Carrington, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the modified cash basis financial statements of the governmental activities and each major fund of Garrison Diversion Conservancy District (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *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 the modified cash basis of accounting, which is a comprehensive 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.

### ***Responsibilities of Management 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; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues, expenditures, and changes in fund balance – modified cash basis – budget and actual – General Fund (Administrative), schedule of revenues, expenditures, and changes in fund balance – modified cash basis – budget and actual – Major Special Revenue Funds, schedule of employer's share of net pension liability and schedule of employer's contributions-pensions, schedule of employer's share of net OPEB liability and schedule of employer's contributions-OPEB, schedule of taxes received – modified cash basis, schedule of expenditures compared to budget – modified cash basis, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenditures, and changes in fund balance – modified cash basis – budget and actual – General Fund (Administrative), schedule of revenues, expenditures, and changes in fund balance – modified cash basis – budget and actual – Major Special Revenue Funds, schedule of employer's share of net pension liability and schedule of employer's contributions-pensions, schedule of employer's share of net OPEB liability and schedule of employer's contributions-OPEB, schedule of taxes received – modified cash basis, schedule of expenditures compared to budget – modified cash basis, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the listing of Board of Directors by County but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

*Eide Sully LLP*

Fargo, North Dakota  
May 16, 2022



Garrison Diversion Conservancy District  
Statement of Net Position – Modified Cash Basis  
December 31, 2021

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 13,118,730
Certificates of deposit	9,876,093
Capital assets not being depreciated	
Land	341,176
Construction in progress	40,392,936
Capital assets, net of accumulated depreciation	
Land improvements	198,419
Buildings	1,024,227
Equipment	1,400,014
Pumping equipment	1,726,222
Intake equipment	100,060
Pipeline	<u>2,469,259</u>
Total assets	<u>70,647,136</u>
<b>Liabilities</b>	
Long-term liabilities:	
Portion due within one year	
Bond payable	161,566
Notes payable	10,356
Portion due after one year	
Bond payable	1,277,597
Notes payable	<u>34,055</u>
Total liabilities	<u>1,483,574</u>
<b>Net Position</b>	
Net investment in capital assets	46,168,739
Restricted	
Operations and maintenance emergency	750,000
Deficiency	750,000
Project development	915,593
Operations and maintenance and replacement	128,607
Irrigation Fund	124,021
Unrestricted	<u>20,326,602</u>
Total net position	<u><u>\$ 69,163,562</u></u>

Garrison Diversion Conservancy District  
Statement of Activities – Modified Cash Basis  
Year Ended December 31, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Expenses				
Administration	\$ 3,057,776	\$ -	\$ 9,481	\$ 75,572
Municipal, rural, and industrial	13,552,716	-	13,572,598	-
Operations, maintenance, and replacement	5,692,040	398,564	5,324,213	720,104
Red River Valley water supply	282,769	-	282,769	17,897,208
Irrigation	670,730	-	562,460	2,633
Total governmental activities	<u>\$ 23,256,031</u>	<u>\$ 398,564</u>	<u>\$ 19,751,521</u>	<u>\$ 18,695,517</u>
General Revenues				
Taxes				4,246,291
Interest on investments				181,325
Leases				2,303
Miscellaneous				19,730
Total general revenues				<u>4,449,649</u>
Change in Net Position				20,039,220
Net Position, Beginning of Year				<u>49,124,342</u>
Net Position, End of Year				<u>\$ 69,163,562</u>

Garrison Diversion Conservancy District  
Balance Sheet – Modified Cash Basis – Governmental Funds  
December 31, 2021

	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	\$ 12,241,642	\$ 4,034	\$ 453,712	\$ 40,078	\$ 379,264	\$ 13,118,730
Certificates of deposit	9,876,093	-	-	-	-	9,876,093
Due from other funds	1,444,278	-	-	-	-	1,444,278
<b>Total assets</b>	<b>\$ 23,562,013</b>	<b>\$ 4,034</b>	<b>\$ 453,712</b>	<b>\$ 40,078</b>	<b>\$ 379,264</b>	<b>\$ 24,439,101</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Due to other funds	\$ -	\$ -	\$ 325,105	\$ 863,930	\$ 255,243	\$ 1,444,278
<b>Fund Balance</b>						
<b>Restricted</b>						
Deficiency	750,000	-	-	-	-	750,000
Operations and maintenance emergency	750,000	-	-	-	-	750,000
Project development	915,593	-	-	-	-	915,593
Operations, maintenance and replacement	-	-	128,607	-	-	128,607
Irrigation Fund	-	-	-	-	124,021	124,021
<b>Committed</b>						
Operating reserve	5,111,019	-	-	-	-	5,111,019
<b>Assigned</b>						
Municipal, rural and industrial working	-	4,034	-	-	-	4,034
Unassigned	16,035,401	-	-	(823,852)	-	15,211,549
<b>Total fund balance</b>	<b>23,562,013</b>	<b>4,034</b>	<b>128,607</b>	<b>(823,852)</b>	<b>124,021</b>	<b>22,994,823</b>
<b>Total liabilities and fund balance</b>	<b>\$ 23,562,013</b>	<b>\$ 4,034</b>	<b>\$ 453,712</b>	<b>\$ 40,078</b>	<b>\$ 379,264</b>	<b>\$ 24,439,101</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, 2021

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Total fund balances for governmental funds	\$ 22,994,823
Total net position reported for governmental activities in the statement of net position is different because	
<p style="margin-left: 40px;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of</p>	
Land	341,176
Construction in Progress	40,392,936
Land improvements, net of accumulated depreciation	198,419
Buildings, net of accumulated depreciation	1,024,227
Equipment, net of accumulated depreciation	1,400,014
Pumping Equipment, net of accumulated depreciation	1,726,222
Intake Equipment, net of accumulated depreciation	100,060
Pipeline, net of accumulated depreciation	2,469,259
<p style="margin-left: 40px;">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</p>	
Bond Payable	(1,439,163)
Notes Payable	(44,411)
	(1,483,574)
Total net position of governmental activities	\$ 69,163,562

**Garrison Diversion Conservancy District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis**  
**– Governmental Funds**  
**Year Ended December 31, 2021**

	General 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	\$ 4,246,291	\$ -	\$ -	\$ -	\$ -	\$ 4,246,291
Interest on investments	181,129	28	57	-	111	181,325
Non-project income	-	-	398,564	-	-	398,564
Contract revenue	85,053	13,572,598	-	18,179,977	565,093	32,402,721
Bureau of Reclamation	-	-	6,044,317	-	-	6,044,317
Leases	2,303	-	-	-	-	2,303
Miscellaneous	7,244	-	10,776	-	1,711	19,731
Total revenues	<u>4,522,020</u>	<u>13,572,626</u>	<u>6,453,714</u>	<u>18,179,977</u>	<u>566,915</u>	<u>43,295,252</u>
<b>Expenditures</b>						
<b>Current</b>						
Directors	164,738	-	-	-	-	164,738
Personnel	1,058,903	66,260	2,258,612	-	-	3,383,775
Contractual services	384,729	13,420,818	1,313,505	282,769	-	15,401,821
Irrigation development	269,756	-	-	-	-	269,756
Maintenance	73,055	-	819,359	-	339,142	1,231,556
GDCD recreation grant program	782,016	-	-	-	-	782,016
DWRA recreation program	4,045	-	-	-	-	4,045
Water Supply Projects	41,531	-	-	-	-	41,531
Other charges	239,787	65,638	102,002	-	-	407,427
Capital outlay	75,572	-	720,104	19,526,801	2,633	20,325,110
<b>Debt service</b>						
Principal	-	-	-	-	164,193	164,193
Interest and fiscal charges	-	-	-	-	51,314	51,314
Total expenditures	<u>3,094,132</u>	<u>13,552,716</u>	<u>5,213,582</u>	<u>19,809,570</u>	<u>557,282</u>	<u>42,227,282</u>
Revenues over (under) expenditures	1,427,888	19,910	1,240,132	(1,629,593)	9,633	1,067,970
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,018,239	-	-	-	-	1,018,239
Transfers out	-	(19,882)	(998,357)	-	-	(1,018,239)
Total other financing sources (uses)	<u>1,018,239</u>	<u>(19,882)</u>	<u>(998,357)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,446,127	28	241,775	(1,629,593)	9,633	1,067,970
Fund Balances (Deficit), Beginning of Year	<u>21,115,886</u>	<u>4,006</u>	<u>(113,168)</u>	<u>805,741</u>	<u>114,388</u>	<u>21,926,853</u>
Fund Balances (Deficit), End of Year	<u>\$ 23,562,013</u>	<u>\$ 4,034</u>	<u>\$ 128,607</u>	<u>\$ (823,852)</u>	<u>\$ 124,021</u>	<u>\$ 22,994,823</u>

Garrison Diversion Conservancy District

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis  
of Governmental Funds to the Statement of Activities – Modified Cash Basis  
Year Ended December 31, 2021

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Net change in fund balances - total governmental funds \$ 1,067,970

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	\$ 20,325,109	
Depreciation expense	<u>(1,518,052)</u>	
Excess of capital outlay over depreciation expense		18,807,057

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	\$ -	
Debt repayment	<u>164,193</u>	<u>164,193</u>

Changes in net position of governmental activities \$ 20,039,220

## **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 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 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 modified 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 governmental column 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, 2021, the following fund had a deficit balance:

Red River Valley Water Supply Fund	<u>\$ (823,852)</u>
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The Red River Valley Water Supply fund deficit will be eliminated by future collections from North Dakota State Water Commission and Lake Agassiz Water Authority.

### **Note 3 - Cash and Deposits**

In accordance with North Dakota Statutes, the District maintains deposits at the depository banks designated by the governing board. North Dakota Century Code 6-09-10 provided that all Bank of North Dakota deposits are guaranteed by the full faith and credit of the State of North Dakota.

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, 2021, 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, 2021, 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.

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Notes to Financial Statements  
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Cash and deposits consisted of the following as of December 31, 2021:

	Cash Value	Less than 1 year	1-5 years
Cash			
Bank of North Dakota	\$ 8,938,377	\$ 8,938,377	\$ -
Bremer Bank	876,988	876,988	-
First International Bank & Trust	3,303,215	3,303,215	-
Petty Cash	150	150	-
 Certificates of deposit			
Bremer Bank	2,845,057	2,321,518	523,539
First International Bank & Trust	7,030,036	3,783,682	3,246,354
Farm Credit	1,000	1,000	-
	<u>\$ 22,994,823</u>	<u>\$ 19,224,930</u>	<u>\$ 3,769,893</u>

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

Cash	\$ 13,118,730
Certificates of deposit	9,876,093
Total	<u>\$ 22,994,823</u>

**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, 2021 consisted of the following:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 1,444,278	\$ -
Operations, Maintenance and Replacement	-	325,105
Red River Valley Water Supply	-	863,930
Irrigation	-	255,243
	<u>\$ 1,444,278</u>	<u>\$ 1,444,278</u>

Funds were provided to the Operation, Maintenance and Replacement, Irrigation and Red River Valley Water Supply fund due to the time lag between the dates that expenditures were paid 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	\$ 341,176	\$ -	\$ -	\$ 341,176
Construction in progress	20,872,305	19,529,181	(8,550)	40,392,936
Total	<u>21,213,481</u>	<u>19,529,181</u>	<u>(8,550)</u>	<u>40,734,112</u>
Capital assets, being depreciated				
Land improvements	862,334	-	-	862,334
Buildings	1,294,089	431,559	-	1,725,648
Equipment	8,820,789	370,290	(200,975)	8,990,104
Pumping equipment	2,726,477	846	-	2,727,323
Intake structure	332,434	-	-	332,434
Pipeline	3,515,438	1,787	-	3,517,225
Total	<u>17,551,561</u>	<u>804,482</u>	<u>(200,975)</u>	<u>18,155,068</u>
Less accumulated depreciation				
Land improvements	623,606	40,309	-	663,915
Buildings	662,214	39,207	-	701,421
Equipment	6,632,803	1,158,262	(200,975)	7,590,090
Pumping equipment	876,404	124,697	-	1,001,101
Intake structure	210,212	22,162	-	232,374
Pipeline	914,551	133,415	-	1,047,966
Total	<u>9,919,790</u>	<u>1,518,052</u>	<u>(200,975)</u>	<u>11,236,867</u>
Total governmental activities capital assets, net	<u>\$ 28,845,252</u>	<u>\$ 18,815,611</u>	<u>\$ (8,550)</u>	<u>\$ 47,652,313</u>

Depreciation expense was charged to the following functions and programs of the District for the year ending December 31, 2021:

Governmental activities	
Administration	\$ 39,216
Irrigation	280,274
Operations, maintenance, and replacement	<u>1,198,562</u>
Total depreciation expense - governmental activities	<u>\$ 1,518,052</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, 2021, the following changes occurred in long-term liabilities of the District:

	Balance 1/1/21	Additions	Reductions	Balance 12/31/21	Due Within One Year
Bonds payable	\$ 1,593,467	\$ -	\$ 154,304	\$ 1,439,163	\$ 161,566
Notes payable	54,300	-	9,889	44,411	10,356
<b>Total</b>	<b>\$ 1,647,767</b>	<b>\$ -</b>	<b>\$ 164,193</b>	<b>\$ 1,483,574</b>	<b>\$ 171,922</b>



Outstanding debt at December 31, 2021 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.	\$ 513,704
\$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.	808,098
\$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.	27,980
\$95,134 Series 2018C Improvement Bond, annual payments \$15,200 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.	54,381
\$38,061 Series 2020A Facilities Revenue Bond, annual payments \$3,900 due September of each year with maturity of September 1, 2030; interest at 1.5%; Admin Fee .5% liquidated out of the Irrigation Fund.	35,000
Total	\$ 1,439,163

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, 2021.

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, 2021, \$1,009,445 was drawn down and \$925,458 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.	\$ 44,411
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This debt has no covenants in place that the District must follow.

Garrison Diversion Conservancy District  
Notes to Financial Statements  
December 31, 2021

Debt service requirements on the debt payable at December 31, 2021 are as follows:

<u>Year ended December 31,</u>	Series 2011A, 2018A, 2018B, 2018C and 2020A Revenue Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 161,566	\$ 42,747	\$ 204,313
2023	168,174	36,260	204,434
2024	175,015	29,519	204,534
2025	188,330	22,410	210,740
2026	33,000	15,042	48,042
2027-2031	154,980	65,345	220,325
2031-2036	146,000	50,360	196,360
2037-2041	161,000	35,160	196,160
2042-2046	178,000	18,420	196,420
2047-2048	73,098	2,280	75,378
	<u>\$ 1,439,163</u>	<u>\$ 317,543</u>	<u>\$ 1,756,706</u>

  

<u>Year ended December 31,</u>	Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 10,356	\$ 2,112	\$ 12,468
2023	10,848	1,620	12,468
2024	11,363	1,105	12,468
2025	11,844	566	12,410
	<u>\$ 44,411</u>	<u>\$ 5,403</u>	<u>\$ 49,814</u>

**Note 9 - Lease Commitments**

The entity leases office equipment under various noncancelable operating leases.

Future minimum lease payments under noncancelable operating leases at December 31, 2021, are as follows:

2021	\$ 7,535
2022	4,533
Total minimum lease payments	<u>\$ 12,068</u>

## **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, 2021, the Employer's proportionate share of the net pension liability was \$1,881,540. The net pension liability was measured as of June 30, 2021 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, 2021, the Employer's proportion was 0.180518 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, 2021, the Employer recognized pension expense of \$279,460.

### Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Morality rates are projected from 2010 using the MP-2019 scale.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
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 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

**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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Employer's proportionate share of the net pension liability	\$ 2,992,281	\$ 1,881,540	\$ 956,674

**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 Changed 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, 2021 the Employer reported liability of \$104,279 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021 the Employer's proportion was 0.1817494 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases	Not Applicable
Investment Rate of Return	6.50%, net of investment expenses
Cost-of living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MoralityPub-2010 Healthy Retiree Morality table (for General Employees), sex distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Morality table (for General Employees), sex distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Morality table (for General Employees), sex distinct, with rates multiplied by 92% for both males and females. Morality rates are projected from 2010 using the MP-2019 scale.

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 June 30, 2021 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%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%



**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the 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, 2021, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<u>1% Decrease in Discount Rate (5.50%)</u>	<u>Discount Rate (6.50 %)</u>	<u>1% Increase in Discount Rate (7.50%)</u>
Employer's Proportionate share of the net OPEB liability	154,659	104,279	61,650

**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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for over 2,000 State agencies and political subdivisions. The Garrison Diversion Conservancy District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Workforce Safety and Insurance Fund (WSI), an Enterprise Fund of the State of North Dakota. Workforce Safety and Insurance is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

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

**Note 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, 2021:

<u>Transfers Out</u>	<u>Transfers In General Fund</u>
Municipal, rural and industrial	\$ 19,882
Operations, maintenance and replacement	<u>998,357</u>
	<u><u>\$ 1,018,239</u></u>

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, 2021, the District spent \$59,534 on behalf of Lake Agassiz Water Authority for these types of expenditures.

## **Note 15 - Subsequent Events**

### **Litigation**

The State of Missouri recently sued Reclamation, the U.S. Army Corps of Engineers (USACE), and Garrison Diversion, along with various political officials in their official capacity, alleging Reclamation and the USACE, a cooperating agency under NEPA, failed to consider impacts to the State of Missouri during Reclamation's environmental review and subsequent FONSI for the CNDWSP.

The District Court held that Missouri's challenges to the CND Project's environmental review were without merit, entering judgment in favor of the Bureau of Reclamation, State of ND and Garrison Diversion. Missouri appealed to the 8th Circuit Court of Appeals, where briefing is in process.

### **Debt Issuance**

On April 21, 2022, the District issued \$18, 125,000 of Water Revenue Bonds Series 2022 to finance the local projects costs for the 2021-2023 biennium work of the Red River Valley Water Supply Project. The maturity date is on or before April 1, 2062.

Supplementary Information  
December 31, 2021

**Garrison Diversion Conservancy District**

Garrison Diversion Conservancy District

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual –  
 General Fund (Administrative)  
 Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes levied by counties	\$ 3,720,000	\$ 3,720,000	\$ 4,246,291	\$ 526,291
Interest on investments	198,000	198,000	181,129	(16,871)
Contract revenue	40,600	40,600	85,053	44,453
Leases	2,300	2,300	2,303	3
Miscellaneous	1,100	1,100	7,244	6,144
<b>Total revenues</b>	<b>3,962,000</b>	<b>3,962,000</b>	<b>4,522,020</b>	<b>560,020</b>
<b>Expenditures</b>				
<b>Current</b>				
Directors	270,000	270,000	164,738	105,262
Personnel services	1,208,000	1,208,000	1,058,903	149,097
Contractual services	1,002,000	969,875	384,729	585,146
Irrigation development	270,125	270,125	269,756	369
Maintenance	75,000	78,291	73,055	5,236
GDCD recreation grant program	375,000	783,000	782,016	984
DWRA recreation program	10,000	10,000	4,045	5,955
Water Assist Grant		300,000	41,531	
Other charges	320,000	320,000	239,787	80,213
Irrigation districts	19,875	2,000	-	2,000
Capital outlay	90,000	136,709	75,572	61,137
<b>Total expenditures</b>	<b>3,640,000</b>	<b>4,348,000</b>	<b>3,094,132</b>	<b>995,399</b>
Revenues over (under) expenditures	322,000	(386,000)	1,427,888	1,555,419
<b>Other Financing Sources</b>				
Transfers in	1,265,000	1,266,000	1,018,239	(247,761)
Net Change in Fund Balance	1,587,000	880,000	2,446,127	1,307,658
Fund Balance, Beginning of Year	21,115,886	21,115,886	21,115,886	-
Fund Balance, End of Year	<u>\$ 22,702,886</u>	<u>\$ 21,995,886</u>	<u>\$ 23,562,013</u>	<u>\$ 1,307,658</u>

Garrison Diversion Conservancy District  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual –  
 Major Special Revenue Funds  
 Year Ended December 31, 2021

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**Municipal, Rural and Industrial Fund**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Contract income	\$ 10,166,125	\$ 22,166,125	\$ 13,572,598	\$ (8,593,527)
Interest on investments	25	25	28	3
<b>Total revenues</b>	<b>10,166,150</b>	<b>22,166,150</b>	<b>13,572,626</b>	<b>(8,593,524)</b>
<b>Expenditures</b>				
Personnel Services	75,000	74,500	66,260	8,240
Contractual services	10,070,150	22,070,650	13,486,456	8,584,194
<b>Total expenditures</b>	<b>10,145,150</b>	<b>22,145,150</b>	<b>13,552,716</b>	<b>8,592,434</b>
Revenues over (under) expenditures	21,000	21,000	19,910	(1,090)
<b>Other Financing Uses</b>				
Transfers out	(21,000)	(21,000)	(19,882)	1,118
Net Change in Fund Balance	-	-	28	28
Fund Balance, Beginning of Year	4,006	4,006	4,006	-
Fund Balance, End of Year	<u>\$ 4,006</u>	<u>\$ 4,006</u>	<u>\$ 4,034</u>	<u>\$ 28</u>

**Garrison Diversion Conservancy District**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual –  
Major Special Revenue Funds  
Year Ended December 31, 2021

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**Operations, Maintenance and Replacement 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	\$ -	\$ -	\$ 57	\$ 57
Non-project income	212,000	212,000	398,564	186,564
Program income	7,730	7,730	-	(7,730)
Bureau of Reclamation	6,302,270	7,365,270	6,044,317	(1,320,953)
Miscellaneous	-	-	10,776	10,776
	<u>6,522,000</u>	<u>7,585,000</u>	<u>6,453,714</u>	<u>(1,131,286)</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Personnel	2,743,000	2,743,000	2,258,612	484,388
Maintenance	1,807,000	1,121,800	819,359	302,441
Engineering and survey	215,000	1,628,000	1,313,505	314,495
Other charges	155,000	155,000	102,002	52,998
Capital outlay	385,000	720,200	720,104	96
	<u>5,305,000</u>	<u>6,368,000</u>	<u>5,213,582</u>	<u>1,154,418</u>
<b>Total expenditures</b>				
Revenues over expenditures	1,217,000	1,217,000	1,240,132	23,132
<b>Other Financing Uses</b>				
Transfers out	<u>(1,217,000)</u>	<u>(1,217,000)</u>	<u>(998,357)</u>	<u>218,643</u>
Net Change in Fund Balance	-	-	241,775	241,775
Fund Balance (Deficit), Beginning of Year	<u>(113,168)</u>	<u>(113,168)</u>	<u>(113,168)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (113,168)</u>	<u>\$ (113,168)</u>	<u>\$ 128,607</u>	<u>\$ 241,775</u>

Garrison Diversion Conservancy District  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual –  
 Major Special Revenue Funds  
 Year Ended December 31, 2021

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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	\$ 21,036,000	\$ 21,036,000	\$ 18,179,977	\$ (2,856,023)
Expenditures				
Personnel	107,000	107,000	-	107,000
Contractual services	450,000	450,000	282,769	167,231
Construction In Progress	20,450,000	20,450,000	19,526,801	923,199
Total expenditures	<u>21,007,000</u>	<u>21,007,000</u>	<u>19,809,570</u>	<u>1,197,430</u>
Revenues over (under) expenditures	29,000	29,000	(1,629,593)	(1,658,593)
Other Financing Uses				
Transfers out	<u>(29,000)</u>	<u>(29,000)</u>	<u>-</u>	<u>29,000</u>
Net Change in Fund Balance	-	-	(1,629,593)	(1,629,593)
Fund Balance, Beginning of Year	<u>805,741</u>	<u>805,741</u>	<u>805,741</u>	<u>-</u>
Fund (Deficit) Balance, End of Year	<u>\$ 805,741</u>	<u>\$ 805,741</u>	<u>\$ (823,852)</u>	<u>\$ (1,629,593)</u>



**Garrison Diversion Conservancy District**  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis – Budget and Actual –  
 Major Special Revenue Funds  
 Year Ended December 31, 2021

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**Irrigation Fund**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest on investments	\$ 5,600	\$ 5,600	\$ 111	\$ (5,489)
Miscellaneous income	-	-	1,711	1,711
Contract income	642,400	642,400	565,093	(77,307)
Total revenues	<u>648,000</u>	<u>648,000</u>	<u>566,915</u>	<u>(81,085)</u>
Expenditures				
Contractual services	389,000	386,000	339,142	46,858
Capital outlay	-	3,000	2,633	367
Debt service				
Principal	189,000	189,000	164,193	24,807
Interest	70,000	70,000	51,314	18,686
Total expenditures	<u>648,000</u>	<u>648,000</u>	<u>557,282</u>	<u>90,718</u>
Net Change in Fund Balance	-	-	9,633	9,633
Fund (Deficit) Balance, Beginning of Year	<u>114,388</u>	<u>114,388</u>	<u>114,388</u>	<u>-</u>
Fund (Deficit) Balance, End of Year	<u>\$ 114,388</u>	<u>\$ 114,388</u>	<u>\$ 124,021</u>	<u>\$ 9,633</u>

**Garrison Diversion Conservancy District**  
 Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions-Pensions  
 Year Ended December 31, 2021

**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 Payroll (b)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
NDPERS	6/30/2021	0.180518%	\$ 1,881,540	\$ 2,044,168	92.04%	78.3%
NDPERS	6/30/2020	0.187643%	5,903,289	2,069,933	285.19%	48.9%
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 Payroll (c)</u>	<u>Contributions as a Percentage of Covered Payroll (b/c)</u>
NDPERS	12/31/2021	\$ 279,460	\$ 279,460	\$ -	\$ 2,128,322	13.13%
NDPERS	12/31/2020	275,437	275,437	-	2,099,365	13.12%
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, 2021

**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 Payroll (b)</u>	<u>Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
NDPERS	6/30/2021	0.187494%	\$ 104,279	\$ 2,044,168	5.10%	76.63%
NDPERS	6/30/2020	0.181578%	152,743	2,069,933	7.38%	63.38%
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%
NDPERS	6/30/2017	0.165156%	130,640	1,786,725	7.31%	59.78%

\*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 Payroll (c)</u>	<u>Contributions as a Percentage of Covered Payroll (b/c)</u>
NDPERS	12/31/2021	\$ 24,038	\$ 24,038	\$ -	\$ 2,128,322	1.13%
NDPERS	12/31/2020	23,933	23,933	-	2,099,365	1.14%
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%
NDPERS	12/31/2017	20,265	20,265	-	1,777,621	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 and Assumptions for ND Public Retirement System-Pension**

### **Benefit Terms**

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (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, 2020.

### **Changes in Assumptions**

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

## **Note 2 - Changes of Benefit Terms and Assumptions for ND Public Retirement System-OPEB**

### **Benefit Terms**

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, 2020.

### **Changes in Assumptions**

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

Garrison Diversion Conservancy District  
Schedule of Taxes Received – Modified Cash Basis  
Year Ended December 31, 2021

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County

Barnes	\$ 89,712
Benson	39,080
Bottineau	66,230
Burleigh	559,716
Cass	1,024,059
Dickey	48,048
Eddy	17,376
Foster	34,840
Grand Forks	330,478
Griggs	23,966
LaMoure	46,944
McHenry	51,562
McKenzie	401,413
McLean	90,052
Nelson	28,229
Pierce	36,238
Ramsey	66,336
Ransom	38,668
Renville	26,869
Richland	102,233
Sargent	41,400
Sheridan	19,778
Steele	32,078
Stutsman	137,985
Traill	61,841
Ward	353,445
Wells	46,448
Williams	416,108
Subtotal	4,231,132
Interest and penalties	15,159
Tax revenue	\$ 4,246,291

Garrison Diversion Conservancy District  
Schedule of Expenditures Compared to Budget – Modified Cash Basis  
Year Ended December 31, 2021

**General Fund (Administrative)**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Directors				
Per diem	\$ 130,000	\$ 130,000	\$ 102,309	\$ 27,691
Expenses	140,000	140,000	62,429	77,571
	<u>270,000</u>	<u>270,000</u>	<u>164,738</u>	<u>105,262</u>
Personal services				
Employee salaries	726,000	726,000	698,075	27,925
Employee expenses	113,000	113,000	49,839	63,161
Payroll taxes and benefits	369,000	369,000	310,989	58,011
	<u>1,208,000</u>	<u>1,208,000</u>	<u>1,058,903</u>	<u>149,097</u>
Contractual services				
Professional services	1,002,000	969,875	384,729	585,146
Irrigation development	270,125	270,125	269,756	369
Maintenance	75,000	78,291	73,055	5,236
GDCD recreation grant program	375,000	783,000	782,016	984
DWRA recreation program	10,000	10,000	4,045	5,955
Water Assistance Grant	-	300,000	41,531	258,469
Other charges				
Postage	7,000	7,000	4,954	2,046
Communications	27,000	27,000	14,521	12,479
Utilities	33,000	33,000	30,888	2,112
Data processing	18,000	21,000	18,312	2,688
Office supplies	20,000	20,000	12,770	7,230
Dues	15,000	15,000	12,931	2,069
Insurance	13,000	13,000	12,995	5
Meetings and events	10,000	10,000	4,541	5,459
Subscriptions	5,000	7,000	5,457	1,543
Employee recruiting	5,000	5,000	-	5,000
Independent audit	36,000	31,000	28,000	3,000
Public education	107,000	107,000	84,470	22,530
Small equipment	15,000	15,000	6,708	8,292
Miscellaneous	9,000	9,000	3,240	5,760
	<u>320,000</u>	<u>320,000</u>	<u>239,787</u>	<u>80,213</u>
Irrigation districts	19,875	2,000	-	2,000
Capital outlay				
Office equipment	20,000	20,000	13,863	6,137
Vehicle	35,000	35,000	-	35,000
Yard equipment	20,000	20,000	-	20,000
Land and buildings	15,000	61,709	61,709	-
	<u>90,000</u>	<u>136,709</u>	<u>75,572</u>	<u>61,137</u>
Total expenditures	<u>\$ 3,640,000</u>	<u>\$ 4,348,000</u>	<u>\$ 3,094,132</u>	<u>\$ 1,253,868</u>

Garrison Diversion Conservancy District  
Schedule of Expenditures Compared to Budget – Modified Cash Basis  
Year Ended December 31, 2021

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Personnel costs				
Employee salaries	\$ 1,646,000	\$ 1,646,000	\$ 1,488,081	\$ 157,919
Payroll taxes and benefits	998,000	998,000	721,431	276,569
Travel/training	38,000	38,000	8,227	29,773
Safety	61,000	61,000	40,873	20,127
	<u>2,743,000</u>	<u>2,743,000</u>	<u>2,258,612</u>	<u>484,388</u>
Maintenance				
Supplies	806,000	631,000	451,582	179,418
Materials	572,000	146,800	84,689	62,111
Equipment lease	111,000	11,000	134	10,866
Small equipment purchases	5,000	20,000	17,352	2,648
Equipment	313,000	313,000	265,602	47,398
	<u>1,807,000</u>	<u>1,121,800</u>	<u>819,359</u>	<u>302,441</u>
Engineering and survey	<u>215,000</u>	<u>1,628,000</u>	<u>1,313,505</u>	<u>314,495</u>
Other charges				
Utilities	101,000	101,000	90,035	10,965
Miscellaneous	54,000	54,000	11,967	42,033
	<u>155,000</u>	<u>155,000</u>	<u>102,002</u>	<u>52,998</u>
Capital outlay				
Buildings and equipment	385,000	720,200	720,104	96
Total expenditures	<u>\$ 5,305,000</u>	<u>\$ 6,368,000</u>	<u>\$ 5,213,582</u>	<u>\$ 1,154,418</u>

Garrison Diversion Conservancy District  
 Schedule of Expenditures Compared to Budget – Modified Cash Basis  
 Year Ended December 31, 2021

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

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Personal services				
Employee salaries	\$ 107,000	\$ 107,000	\$ -	\$ 107,000
Contractual services				
Professional services	650,000	650,000	282,769	367,231
Capital outlay				
Construction in progress	20,250,000	20,250,000	19,526,801	723,199
Total expenditures	<u>\$ 21,007,000</u>	<u>\$ 21,007,000</u>	<u>\$ 19,809,570</u>	<u>\$ 1,197,430</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***

To the 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 (the District), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated May 16, 2022.

**Report on 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) as a basis for designing 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 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. 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 or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fargo, North Dakota  
May 16, 2022



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Directors  
Garrison Diversion Conservancy District  
Carrington, North Dakota

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Garrison Diversion Conservancy District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2021. The District's major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Fargo, North Dakota  
May 16, 2022

Garrison Diversion Conservancy District  
Schedule of Expenditures of Federal Awards – Modified Cash Basis  
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed- Through to Subrecipients
Department of the Interior				
Passed through the Bureau of Reclamation				
Municipal, Rural and Industrial Water System Project	15.518	6-FC-60-00210	\$ 13,572,598	\$ 13,420,818
Operations, Maintenance, and Replacement Program	15.518	1-FC-60-01790	<u>5,813,376</u>	<u>-</u>
Total Department of Interior			<u>19,385,974</u>	<u>13,420,818</u>
Environmental Protection Agency				
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>61,369</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 19,447,343</u>	<u>\$ 13,420,818</u>

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards – modified cash basis (the schedule) includes the federal award activity of Garrison Diversion Conservancy District, under programs of the federal government for the year ended December 31, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Garrison Diversion Conservancy District, it is not intended to and does not present the financial position, changes in net position or fund balance of Garrison Diversion Conservancy District.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified cash basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 – Indirect Cost Rate**

Garrison Diversion Conservancy District has not elected to use the 10% de minimis cost rate.

**Note 4 – 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, 2021 was \$925,458.

**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 for 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:**

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Municipal, Rural and 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	Yes



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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