



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Red River Joint Water Resource District

West Fargo, North Dakota

Audit Report for the Year Ended December 31, 2019

*Client Code: PS9014*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# RED RIVER JOINT WATER RESOURCE DISTRICT

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For the Year Ended December 31, 2019

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# **RED RIVER JOINT WATER RESOURCE DISTRICT**

District Officials and Audit Personnel

December 31, 2019

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## **DISTRICT OFFICIALS**

Gary Thompson	Chairman
Ben Varnson	Vice Chairman
Larry Tanke	Manager
Robert Rostad	Manager
Josh Ihry	Manager
Carol Harbeke Lewis	Treasurer
Nettie Johnson	Secretary
Sean M. Fredricks	Attorney

## **AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Alex Bakken, CPA	Audit In-Charge



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## INDEPENDENT AUDITOR'S REPORT

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Governing Board  
Red River Joint Water Resource District  
West Fargo, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Red River Joint Water Resource District, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Red River Joint Water Resource District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Red River Joint Water Resource District, North Dakota, as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, budgetary comparison information, and notes to the required supplementary information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2020 on our consideration of Red River Joint Water Resource District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Red River Joint Water Resource District's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 20, 2020

# RED RIVER JOINT WATER RESOURCE DISTRICT

## Management's Discussion and Analysis

December 31, 2019

The Management's Discussion and Analysis (MD&A) of Red River Joint Water Resource District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2019. The intent of the MD&A is to look at the District's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is an element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

### FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- Net position increased \$1,674,090 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$13,377,019.
- Total revenues from all sources were \$2,570,262 on the government-wide statement of activities and \$2,583,008 on the modified accrual basis.
- Total expenses were \$896,172.
- The District's general fund had \$2,583,008 in total revenues, \$896,172 in total expenditures. Overall, the general fund balance increased by \$1,686,836 for the year ended December 31, 2019.

### USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's general fund.

The table below, summarizes the major features of the district's financial statements, including portions of the district's activities covered and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Major Features of the Government-Wide and Fund Financial Statements		
	Fund Financial Statements	
	Government-Wide Statements	Governmental
Scope	Entire District	The activities of the district
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of revenues, expenditures and changes in fund balance
Accounting Basis and Measurement Focus	Accrual Accounting and Economic Resource Focus	Modified accrual accounting and current financial resource focus
Type of Asset/Liability information	All assets and deferred outflows of resources, and liabilities and deferred inflows of resources, both financial and capital, short term and long term	Generally assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

## REPORTING ON THE DISTRICT AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the District to provide programs and activities and attempt to answer the question “How did the District do financially during the year ended December 31, 2019?”

The statement of net position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information on how the District's net position changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

These two statements report the District's net position and changes in those assets. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the statement of net position and the statement of activities, the District reports governmental activities. Governmental activities are the activities where all of the District's programs and services are reported including, but not limited to, conservation of natural resources, capital outlay and debt service.

## REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS

### Balance Sheet – Governmental Funds

The District uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and contributions). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund is considered a “major fund”.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table I reflects significant changes in current assets and current liabilities between the December 31, 2019 and December 31, 2018 fiscal years. The increase in current assets is a due to CDs maturing. Current liabilities increased due to more expenditures for various cost share projects.

The District's net position of \$13,377,019 is an unrestricted net position. The unrestricted net position is available to meet the District's ongoing obligations.

**TABLE I**  
**NET POSITION**  
December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Current Assets	\$ 13,450,277	\$ 11,751,624
<b>LIABILITIES</b>		
Current Liabilities	\$ 73,258	\$ 48,695
<b>NET POSITION</b>		
Unrestricted	\$ 13,377,019	\$ 11,702,929

Table II shows the changes in net position for the fiscal years ended December 31, 2019 and 2018.

**TABLE II**  
**CHANGE IN NET POSITION**  
As of December 31, 2019 and 2018

	2019	2018
<b>REVENUES</b>		
Program Revenues		
Operating Grants & Contributions	\$ 119,790	\$ 5,614
General Revenues		
Property Taxes	2,276,877	2,326,172
Interest Earnings	173,596	89,542
Total Revenues	<u>\$ 2,570,262</u>	<u>\$ 2,421,328</u>
<b>EXPENSES</b>		
Conservation of Natural Resources	<u>\$ 896,172</u>	<u>\$ 784,919</u>
Change in Net Position	<u>\$ 1,674,090</u>	<u>\$ 1,636,409</u>
Net Position – January 1	<u>\$ 11,702,929</u>	<u>\$ 10,066,520</u>
Net Position – December 31	<u><u>\$ 13,377,019</u></u>	<u><u>\$ 11,702,929</u></u>

Revenues and expenses were comprised of the following:

<b>Revenues</b>	
Property Taxes	88.59%
Operating and Non-Restricted Grants and Contributions	4.66%
Interest and Miscellaneous Revenue	6.75%
<b>Expenses</b>	
Conservation of Natural Resources	100.00%

Expenses for cost share projects increased during 2019.

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

**TABLE III**  
**TOTAL AND NET COST OF SERVICES**  
As of December 31, 2019 and 2018

	Total Cost For Year Ended Dec. 31, 2019	Net Cost For Year Ended Dec. 31, 2019	Total Cost For Year Ended Dec. 31, 2018	Net Cost For Year Ended Dec. 31, 2018
Conservation of Natural Resources	<u>\$ 896,172</u>	<u>\$ (776,382)</u>	<u>\$ 784,919</u>	<u>\$ (779,305)</u>

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally can be used as a measure of the District's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenue of \$2,583,008 and expenditures of



\$896,172 for the year ended December 31, 2019. As of December 31, 2019 the total unassigned fund balance for the entire District's governmental funds was \$11,807,635.

#### **GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal year 2019, the District amended the general fund revenues by increasing \$781,680 and amended the District's general fund expenditures by increasing \$417,950. Actual revenue and transfer in for the year ended December 31, 2019 was over budget by \$186,609 due to taxes that were received. Actual expenditures and transfers out for the year ended December 31, 2019 was under budget by \$1,136,497 due to less costs associated with project cost-shares.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of the Districts' finances and to show the District's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Carol Harbeke Lewis, Treasurer, Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

# RED RIVER JOINT WATER RESOURCE DISTRICT

Statement of Net Position

December 31, 2019

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 13,371,070
Intergovernmental Receivable	24,250
Due from County	6,478
Taxes Receivable	<u>48,480</u>
 Total Assets	 <u>\$ 13,450,277</u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 73,213
Benefits Payable	<u>45</u>
 Total Liabilities	 <u>\$ 73,258</u>
 <b>NET POSITION</b>	
Unrestricted	<u>\$ 13,377,019</u>
 Total Net Position	 <u>\$ 13,377,019</u>

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

Statement of Activities  
For the Year Ended December 31, 2019

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

**RED RIVER JOINT WATER RESOURCE DISTRICT**

Balance Sheet – Governmental Funds

December 31, 2019

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	General Fund
<b>ASSETS</b>	
Cash and Cash Equivalents, and Investments	\$ 13,371,070
Intergovernmental Receivable	24,250
Due from County	6,478
Taxes Receivable	<u>48,480</u>
 Total Assets	 <u><u>\$ 13,450,277</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities	
Accounts Payable	\$ 73,213
Benefits Payable	<u>45</u>
 Total Liabilities	 <u>\$ 73,258</u>
 Deferred Inflows of Resources	
Taxes Receivable	<u>\$ 48,480</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>\$ 121,738</u>
 Fund Balances	
Committed	\$ 1,520,904
Unassigned	<u>11,807,635</u>
 Total Fund Balances	 <u>\$ 13,328,539</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u><u>\$ 13,450,277</u></u>

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

## RED RIVER JOINT WATER RESOURCE DISTRICT

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
December 31, 2019

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Total <i>Fund Balances</i> for Governmental Funds	\$ 13,328,539
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Total *net position* reported for governmental activities in the statement of net position  
is different because:

Property taxes receivable will be collected after year-end, but are not available  
soon enough to pay for the current period's expenditures and therefore are  
reported as deferred inflows in the funds.

48,480
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Total Net Position - Governmental Activities	<u>\$ 13,377,019</u>
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The notes to the financial statements are an integral part of this statement.

**RED RIVER JOINT WATER RESOURCE DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
For the Year Ended December 31, 2019

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	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 2,289,623
Intergovernmental	119,790
Interest Income	<u>173,596</u>
Total Revenues	<u>\$ 2,583,008</u>
<b>EXPEDITURES</b>	
Current	
Conservation of Natural Resources	<u>\$ 896,172</u>
Total Expenditures	<u>\$ 896,172</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,686,836</u>
<u>Other Financing Sources (Uses):</u>	
Transfers In	\$ 699,371
Transfers Out	<u>(699,371)</u>
Total Other Financing Sources and Uses	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 1,686,836</u>
Fund Balance - January 1	<u>\$ 11,641,703</u>
Fund Balance - December 31	<u><u>\$ 13,328,539</u></u>

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

## RED RIVER JOINT WATER RESOURCE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
to the Statement of Activities

For the Year Ended December 31, 2019

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Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 1,686,836
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The change in net position reported for governmental activities in the statement of activities is different because:

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the change in taxes receivable.

(12,746)
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Change in Net Position of Governmental Activities	<u>\$ 1,674,090</u>
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The notes to the financial statements are an integral part of this statement.

# RED RIVER JOINT WATER RESOURCE DISTRICT

Notes to the Financial Statements  
For the Year Ended December 31, 2019

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## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **A. Reporting Entity**

The accompanying financial statements present the activities of the District, a joint venture established in 1978. The District has considered all potential component units for which the District is financially accountable and other organizations for which the nature and significance of their relationships with the district such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.

Based on these criteria, there are no component units to be included within the District as a reporting entity.

Membership in the board is voluntary. Each member county elects one board member, having one vote, to serve on the District.

### **B. Basis of Presentation**

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

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

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

The District reports the following major governmental fund:

General Fund - This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Government-Wide Financial Statements.* The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year when all eligibility requirements have been satisfied.



*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on government long-term debt, claims and judgments, and compensated absences, which are reported as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

#### **D. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of 3 months or less.

Investments consist of certificates of deposits bearing interest with a maturity longer than three months.

#### **E. Fund Balances**

*Fund Balance Spending Policy.* It is the policy of District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the District to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

*Committed Fund Balances.* Committed fund balances exists in the general function and is committed by the highest level of decision making authority (governing board).

*Unassigned Fund Balances.* Unassigned fund balances are reported in the general fund and for negative fund balances at year-end.

#### **F. Net Position**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted net position is primarily unrestricted amounts related to the general fund and negative fund balances.

#### **G. Interfund Transactions**

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

#### **NOTE 2: DISTRICT ESTABLISHMENT**

The District, a joint venture, was established in 1978. The District provides a coordinated and cooperative approach to the planning and implementation of flood prevention projects in the Red River Valley. Water Management Districts are: Ransom County, Richland County, Sargent County, Walsh County, Pembina County, Grand Forks County, Traill County, Maple River WRD, North Cass WRD, Barnes County, Southeast Cass WRD, Rush River WRD, Nelson County and Steele County.

### **NOTE 3: DEPOSITS**

#### **Custodial Credit Risk**

Custodial credit risk is the risk associated with the failure of a depository institution, such that in the event of a depository financial institution's failure, the District would not be able to recover the deposits or collateralized securities that in the possession of the outside parties. The District does not have a formal policy regarding deposits that limits the amount it may invest in any one issuer.

In accordance with North Dakota Statutes, must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of 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 any other state of the United States or such other securities approved by the banking board.

At year ended December 31, 2019, the District's carrying amount of deposits was \$13,371,070 and the bank balance was \$13,433,445 of the bank balances, \$1,915,131 was covered by Federal Depository Insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

#### **Credit Risk**

The District may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

As of December 31, 2019, the District had \$7,835,683 in certificates of deposits.

### **NOTE 4: PROPERTY TAXES**

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all of the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

**NOTE 5: COMMITTED FUND BALANCE**

The District officials have committed the fund balance as follows:

Hazen Brook Detention Site Study	\$ 19,500
ND River Watch Strategy	54,801
Rush River Watershed Detention Study Phase II	119,601
Upper Maple River Watershed Comp Det Study Ph II	84,410
Renwick Dam EAP	1,121
N Branch Park River NRCS Watershed Study	98,020
Forest River NRCS Watershed Study	93,639
Lower Red Basin Regional Detention Study	11,346
North Branch Antelope Creek NRCS Watershed Study	36,219
Shortfoot Creek Watershed Study	98,671
Lake Bertha Flood Control Outlet	161,530
Tongue River NRCS Watershed Study	68,973
Herzog Dam Safety Improvement Project	13,268
IWI-PTMApp	18,086
IWI-River of Dreams	17,200
Brummond-Lubke Dam Improvements	25,254
Forest River Dam No. 1 (Matejcek Dam) Rehab	60,613
Silver Lake Dam Feasibility Study	3,226
Gosche Dam Spillway Gate Retrofit	-
Upper Maple River Dam Outlet Channel Improvements	52,553
Middle S Br Forest River Dam No 4 (Fordville) Rehab	79,687
N Br Forest River Dam #1 (Bylin Dam) Rehabilitation	85,391
Tongue River Dam No M-3 (Senator Young Dam) Rehab	83,987
Upper Turtle River Dam No 9 (Larimore Dam) Rehab	59,670
Maple River Dam Site T-180 Dam Safety Improvements	61,325
Lake Tobiason Improvement Project	86,190
Clausen Springs Dam EAP	1,625
Contingencies	25,000
<b>Total</b>	<b>\$ 1,520,904</b>

**NOTE 6: RISK MANAGEMENT**

The 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.

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District carries commercial insurance for risks of loss considered necessary. The Districts property and liability insurance is provided through the NDIRF.

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.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 7: JOINT VENTURES**

**Red River Retention Authority**

Under authorization of state statutes, the Red River Joint Water Resource District, a North Dakota political subdivision joined the Red River Watershed Management Board, a Minnesota political subdivision to establish and operate a joint exercise of powers agreement for retention located within the Red River Valley. Known as the Red River Retention Authority, the agreement was established for the joint, comprehensive and strategic coordination of retention projects in the Red River of the North watershed; facilitating implementation and construction of retention in the Red River Valley.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2019, which is the most current audited information available:

Total Assets and Deferred Outflows of Resources	\$	350,590
Total Liabilities and Deferred Inflows of Resources		17,937
Net Position	\$	332,653
Revenues	\$	97,152
Expenses		94,579
Change in Net Position	\$	2,573

Complete financial statements for the Red River Retention Authority may be obtained from the Treasurer's office at Red River Joint Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

**RED RIVER JOINT WATER RESOURCE DISTRICT**

Budgetary Comparison Schedule – General Fund

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 2,284,040	\$ 2,284,040	\$ 2,289,623	\$ 5,583
Intergovernmental	-	-	119,790	119,790
Interest Income	30,000	173,600	173,596	(4)
Miscellaneous	50	50	-	(50)
Total Revenues	\$ 2,314,090	\$ 2,457,690	\$ 2,583,008	\$ 125,318
<b>EXPEDITURES</b>				
Current				
Conservation of Natural Resources	\$ 2,314,090	\$ 2,732,040	\$ 896,172	\$ 1,835,868
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (274,350)	\$ 1,686,836	\$ 1,961,186
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ -	\$ 638,080	\$ 699,371	\$ 61,291
Transfers Out	-	-	(699,371)	(699,371)
Total Other Financing Sources and Uses	\$ -	\$ 638,080	\$ -	\$ (638,080)
Net Changes in Fund Balances	\$ -	\$ 363,730	\$ 1,686,836	\$ 1,323,106
Fund Balance - January 1	\$ 11,641,703	\$ 11,641,703	\$ 11,641,703	\$ -
Fund Balance - December 31	\$ 11,641,703	\$ 12,005,433	\$ 13,328,539	\$ 1,323,106

The accompanying required supplementary information notes are an integral part of this schedule.

## RED RIVER JOINT WATER RESOURCE DISTRICT

Notes to the Required Supplementary Information

For the Year Ended December 31, 2019

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### NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budget

- The District adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund, each special revenue fund and debt service fund of the district.
- The budget includes proposed expenditures and means of financing them.
- The District, on or before the October meeting shall determine the amount of taxes that shall be levied for member county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- Each budget is controlled by the District secretary/treasurer at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

### NOTE 2: LEGAL COMPLIANCE - BUDGETS

#### Budget Amendments

The District managers amended the district budget for 2019 as follows.

Fund	REVENUES & TRANSFERS IN		
	Original Budget	Amendment	Amended Budget
General Fund	\$ 2,314,090	\$ 781,680	\$ 3,095,770

Fund	EXPENDITURES & TRANSFERS OUT		
	Original Budget	Amendment	Amended Budget
General Fund	\$ 2,314,090	\$ 417,950	\$ 2,732,040

STATE AUDITOR  
Joshua C. Gallion



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STATE CAPITOL  
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Bismarck, North Dakota, 58505

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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### Independent Auditor's Report

Governing Board  
Red River Joint Water Resource District  
West Fargo, 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 financial statements of the governmental activities and the major fund of Red River Joint Water Resource District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Red River Joint Water Resource District's basic financial statements, and have issued our report thereon dated May 20, 2020.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *schedule of audit findings*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying *schedule of audit findings* as items 2019-001 and 2019-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying *schedule of audit findings* as item 2019-003 to be a significant deficiency.

## **RED RIVER JOINT WATER RESOURCE DISTRICT**

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* - Continued

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### **Compliance and Other Matters**

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

### **Red River Joint Water Resource District's Response to Findings**

Red River Joint Water Resource District's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Red River Joint Water Resource District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 20, 2020



## RED RIVER JOINT WATER RESOURCE DISTRICT

Summary of Auditor's Results

For the Year Ended December 31, 2019

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### Financial Statements

Type of Report Issued?  
Governmental Activities  
Major Funds

Unmodified  
Unmodified

### Internal control over financial reporting

Material weaknesses identified?

  X   Yes           None Noted

Significant deficiencies identified not considered to be material weaknesses?

  X   Yes           None Noted

Noncompliance material to financial statements noted?

       Yes      X   None Noted

## **RED RIVER JOINT WATER RESOURCE DISTRICT**

Schedule of Audit Findings

For the Year Ended December 31, 2019

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### **2019-001 – ADJUSTING JOURNAL ENTRIES – MATERIAL WEAKNESS**

#### **Condition**

Material auditor-identified adjusting entries to the financial statements were proposed to properly reflect the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

#### **Criteria**

The Red River Joint Water Resource District is responsible for preparing adjustments for material receivables to ensure its financial statements are reliable, accurate, free of material misstatement, and in accordance with GAAP.

#### **Cause**

The Authority does not have someone other than the preparer review the financial statements.

#### **Effect**

Inadequate internal controls over preparing the financial statements affects the Authority's ability to detect misstatements in amounts that could be material in relation to the financial statements.

#### **Repeat Finding**

No

#### **Recommendation**

We recommend that an individual other than the preparer of the financial statements review the financial statements for potential misstatements.

#### **Red River Joint Water Resource District's Response**

Agree. We will have an individual other than the preparer review the financial statements.

## **2019-002 - LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

### **Condition**

The Red River Joint Water Resource District has one secretary-treasurer and one accountant responsible for the primary accounting functions. A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

### **Criteria**

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the Authority.

### **Effect**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the Authority's financial condition.

### **Cause**

Management has chosen to allocate economic resources to other functions of the Authority.

### **Repeat Finding**

Yes

### **Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we recommend the following:

- Financial statements, credit memos, and payroll registers should be reviewed, analyzed, and spot-checked by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and reconciliation as they relate to any amounts which impact the financial statements.

### **Red River Joint Water Resource District's Response**

We agree that a lack of segregation of duties exists. If the board does hire more administration, duties will be further segregated to the fullest extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the District.

**2019-003 - FRAUD RISK ASSESSMENT – SIGNIFICANT DEFICIENCY**

**Condition**

The Red River Joint Water Resource District does not currently prepare a fraud risk assessment of the entire entity.

**Criteria**

Fraud risk governance is a key component of entity-wide governance and the internal control environment according to the COSO framework principles. This entity-wide governance addresses the manner in which the board of directors and management meet their respective obligations to achieve the entities goals in reporting, reliance, and accountability.

**Cause**

The Authority may not have considered preparing a fraud risk assessment.

**Effect**

If the Authority does not prepare an adequate fraud risk assessment, there is an increased risk of fraudulent financial reporting, asset misappropriation, and corruption.

**Repeat Finding**

No.

**Recommendation**

We recommend the Authority prepare a fraud risk assessment in order to identify areas of concern within the entity to appropriately mitigate the risk of fraudulent financial reporting, misappropriation of assets, and corruption.

**Red River Joint Water Resource District's Response**

Agree. We will perform a fraud risk assessment.



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## GOVERNANCE COMMUNICATION

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Governing Board  
Red River Joint Water Resource District  
West Fargo, North Dakota

We have audited the financial statements of the governmental activities and the major fund of the Red River Joint Water Resource District, North Dakota, for the year ended December 31, 2019 which collectively comprise Red River Joint Water Resource District's basic financial statements, and have issued our report thereon dated May 20, 2020. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in The United States of America, Government Auditing Standards and by the Uniform Guidance**

As stated in our engagement letter dated April 15, 2020, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered Red River Joint Water Resource District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting.

As part of obtaining reasonable assurance about whether Red River Joint Water Resource District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

### **Significant Accounting Policies/Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Red River Joint Water Resource District are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**RED RIVER JOINT WATER RESOURCE DISTRICT**

Governance Communication – Continued

For the Year Ended December 31, 2019

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**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedules below list all adjustments provided by management or misstatements detected as a result of audit procedures that were corrected by management.

2019 Adjustments	Audit Adjustments	
	Debit	Credit
<b>Governmental Activities</b>		
<u>To Reverse Removing Prior CD Transactions</u>		
Revenues	203,332	-
Expenditures	-	203,332
 <u>To Reclass Tax Revenue to Intergovernmental Revenue</u>		
Tax Revenue	120,202	
Intergovernmental Revenue		120,202

**Disagreements with Management**

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

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 20, 2020.

**Management Consultations with Other Independent Accountants**

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

**Difficulties Encountered in Performing the Audit**

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

**Other Audit Findings or Issues**

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

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

**RED RIVER JOINT WATER RESOURCE DISTRICT**

Governance Communication – Continued

For the Year Ended December 31, 2019

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

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 20, 2020



NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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