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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)
<b>Total Revenues</b>	<b>\$ 2,314,090</b>	<b>\$ 2,457,690</b>	<b>\$ 2,583,008</b>	<b>\$ 125,318</b>
<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)
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ 638,080</b>	<b>\$ -</b>	<b>\$ (638,080)</b>
<b>Net Changes in Fund Balances</b>	<b>\$ -</b>	<b>\$ 363,730</b>	<b>\$ 1,686,836</b>	<b>\$ 1,323,106</b>
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

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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 items 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	Unmodified
Major Funds	Unmodified

## Internal control over financial reporting

Material weaknesses identified?	<u>  X  </u> Yes	<u>      </u> None Noted
Significant deficiencies identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>      </u> None Noted
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> 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.

<b>2019 Adjustments</b>	<b>Audit Adjustments</b>	
	<b>Debit</b>	<b>Credit</b>
<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



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

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