



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Red River Retention Authority

West Fargo, North Dakota

Audit Report for the Year Ended December 31, 2020

*Client Code: PS9015*



Photo credit: North Dakota Tourism



Office of the  
State Auditor

# RED RIVER RETENTION AUTHORITY

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For the Year Ended December 31, 2020

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# **RED RIVER RETENTION AUTHORITY**

Authority Officials and Audit Personnel

December 31, 2020

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## **DISTRICT OFFICIALS**

Gary Thompson	Co-Chairman
John Finney	Co-Chairman
Roger Mischel	Board Member
Rodger Olson	Board Member
Greg Holmvik	Board Member
Ben Varnson	Board Member
Carol Harbeke Lewis	Secretary-Treasurer
Sean M. Fredricks	Attorney

## **AUDIT PERSONNEL**

Heath Erickson, CPA	Audit Manager
Jonathan Worrall, CPA	Audit In-Charge



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## INDEPENDENT AUDITOR'S REPORT

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Governing Board  
Red River Retention Authority  
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 Retention Authority, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Red River Retention Authority'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 Retention Authority, North Dakota, as of December 31, 2020, 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, schedule of district's share of net pension liability and district contributions, 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 June 16, 2021 on our consideration of Red River Retention Authority'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 Retention Authority's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
June 16, 2021

## RED RIVER RETENTION AUTHORITY

### Management's Discussion and Analysis

December 31, 2020

The management's discussion and analysis (MD&A) of Red River Retention Authority's (Authority) financial performance provides an overall review of the Authority's financial activities for the fiscal year ended December 31, 2020. The intent of the MD&A is to look at the Authority'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 2020 are as follows:

- Net position increased \$16,135 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$348,788.
- Total revenues were \$88,472 on the government-wide statement of activities and on the modified accrual basis.
- Total expenses were \$72,337 on the government-wide statement of activities and \$83,048 on the modified accrual basis.
- The Authority's general fund had \$88,472 in total revenues, \$83,048 in total expenditures. Overall, the general fund balance increased by \$5,424 for the year ended December 31, 2020.

### 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 Authority 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 Authority, presenting both an aggregate view of the Authority'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 table below, summarizes the major features of the Authority's financial statements, including portions of the Authority'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 AUTHORITY AS A WHOLE

### Statement of Net Position and Statement of Activities

These statements are summaries of the fund used by the Authority to provide programs and activities and attempt to answer the question "How did the Authority do financially during the year ended December 31, 2020?"

The statement of net position presents information on all the Authority'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 Authority is improving or deteriorating.

The statement of activities presents information on how the Authority'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 Authority's net position and changes in that position. This change in net position is important because it tells the reader whether, for the Authority as a whole, the financial position of the Authority 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 Authority reports governmental activities. Governmental activities are the activities where all of the Authority's programs and services are reported including, but not limited to, conservation of natural resources, capital outlay and debt service.

## REPORTING ON THE AUTHORITY'S MOST SIGNIFICANT FUNDS

### Balance Sheet – Governmental Funds

The Authority 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 Authority to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the Authority's major funds. Using the criteria established by GASB Statement No. 34, the Authority's general fund is considered a "major fund".

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Table I reflects significant changes in current assets and current liabilities for the December 31, 2020 and 2019 fiscal year. The Authority's net position is unrestricted net position.

**TABLE I**  
**NET POSITION**  
December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Current Assets	\$ 349,696	\$ 350,590
<b>LIABILITIES</b>		
Current Liabilities	\$ 907	\$ 7,226
Deferred Inflows of Resources	\$ -	\$ 10,711
<b>NET POSITION</b>		
Unrestricted	<u>\$ 348,788</u>	<u>\$ 332,653</u>

Table II shows the changes in net position for the fiscal year ended December 31, 2020 and 2019.

**TABLE II**  
**CHANGE IN NET POSITION**  
As of December 31, 2020 and 2019

	2020	2019
<b>REVENUES</b>		
Program Revenues		
Operating Grants & Contributions	\$ 86,000	\$ 91,807
General Revenues		
Interest Earnings	2,472	5,345
Total Revenues	<u>\$ 88,472</u>	<u>\$ 97,152</u>
<b>EXPENSES</b>		
Conservation of Natural Resources	<u>\$ 72,337</u>	<u>\$ 94,579</u>
Change in Net Position	<u>\$ 16,135</u>	<u>\$ 2,573</u>
Net Position – January 1	<u>\$ 332,653</u>	<u>\$ 330,080</u>
Net Position – December 31	<u><u>\$ 348,788</u></u>	<u><u>\$ 332,653</u></u>

Revenues and expenses were comprised of the following:

<b>Revenues</b>	
Operating and Non-Restricted Grants and Contributions	97.21%
Interest Revenue	2.79%

<b>Expenses</b>	
Conservation of Natural Resources	100.00%

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

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

	Total Cost For Year Ended Dec. 31, 2020	Net Cost For Year Ended Dec. 31, 2020	Total Cost For Year Ended Dec. 31, 2019	Net Cost For Year Ended Dec. 31, 2019
Conservation of Natural Resources	<u>\$ 72,337</u>	<u>\$ 13,663</u>	<u>\$ 94,579</u>	<u>\$ (2,772)</u>



## **RED RIVER RETENTION AUTHORITY**

### **Management's Discussion and Analysis – Continued**

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#### **FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the Authority'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 Authority'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 Authority's governmental funds had total revenue of \$88,472 and expenditures of \$83,048 for the year ended December 31, 2020. As of December 31, 2020, the total unassigned fund balance for the entire Authority's governmental funds was \$348,788.

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

During the course of fiscal year 2020, the Authority did not amend the general fund revenue budget or the expenditure budget.

Actual revenue for the year ended December 31, 2020 was under budget by \$5,528.

Actual expenditures for the year ended December 31, 2020 was under budget by \$10,952.

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

This financial report is designed to provide our taxpayers and creditors with a general overview of the Authority's' finances and to show the Authority'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, Secretary-Treasurer, Red River Retention Authority, 1201 Main Avenue West, West Fargo, ND 58078.

**RED RIVER RETENTION AUTHORITY**

Statement of Net Position

December 31, 2020

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	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$          349,696</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>\$              907</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$          348,788</u></u>

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

Statement of Activities  
For the Year Ended December 31, 2020

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

**RED RIVER RETENTION AUTHORITY**

Balance Sheet – Governmental Funds

December 31, 2020

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$          349,696</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts Payable	<u>\$              907</u>
Fund Balances	
Unassigned	<u>\$          348,788</u>
Total Liabilities and Fund Balances	<u>\$          349,696</u>

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

## RED RIVER RETENTION AUTHORITY

Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position  
December 31, 2020

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Total <i>Fund Balances</i> for Governmental Funds	\$ 348,788
Total Net Position - Governmental Activities	<u>\$ 348,788</u>

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

**RED RIVER RETENTION AUTHORITY**

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

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	<u>General Fund</u>
<b>REVENUES</b>	
Intergovernmental	\$ 86,000
Interest Income	<u>2,472</u>
Total Revenues	<u>\$ 88,472</u>
<b>EXPENDITURES</b>	
Current	
Conservation of Natural Resources	<u>\$ 83,048</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,424</u>
Fund Balance - January 1	<u>\$ 343,364</u>
Fund Balance - December 31	<u><u>\$ 348,788</u></u>

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

## RED RIVER RETENTION AUTHORITY

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, 2020

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Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$	5,424
Deferred inflows of resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds. This is the change in deferred inflows of resources related to pensions.		<u>10,711</u>
Change in Net Position of Governmental Activities	\$	<u><u>16,135</u></u>

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

# RED RIVER RETENTION AUTHORITY

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

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Red River Retention Authority (Authority), 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 Authority, a joint venture, which was established in 2010. The Authority has considered all potential component units for which the Authority is financially accountable and other organizations for which the nature and significance of their relationships with the Authority such that exclusion would cause the Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Authority 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 Authority.

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

The Authority is comprised of members of the Red River Joint Water Resource District, a North Dakota political subdivision and Joint Water Resource District (the "RRJWRD"); and the Red River Watershed Management Board, a Minnesota political subdivision and Joint Watershed Management Board (the "RRWMB"). The Authority will include nine Directors to include the Chair of the RRJWRD, the Chair of the RRWMB, two directors appointed by the RRJWRD and two directors appointed by the RRWMB each having one vote. Non-voting directors will include a director appointed by the Red River Basin Commission; director appointed by the Governor of North Dakota and a director appointed by the Governor of Minnesota to serve on the Authority.

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

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

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

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

The Authority reports the following major governmental fund:

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



## RED RIVER RETENTION AUTHORITY

### Notes to the Financial Statements – Continued

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#### **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 Authority 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 Authority 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 governmental 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 Authority 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 Authority'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.

#### **E. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **F. Fund Balances**

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

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

#### **G. Net Position**

When both restricted and unrestricted resources are available for use, it is the Authority'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.

## **RED RIVER RETENTION AUTHORITY**

### **Notes to the Financial Statements – Continued**

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#### **H. 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 reduction of expenditures in the fund that is reimbursed.

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

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

#### **NOTE 2: AUTHORITY ESTABLISHMENT**

The Authority is a joint venture established in 2010. The Authority ensures 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. Member Water Management Districts are the Red River Joint Water Resource District, a North Dakota political subdivision and the Red River Watershed Management Board, a Minnesota political subdivision.

#### **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 Authority would not be able to recover the deposits or collateralized securities that in the possession of outside parties. The Authority 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, deposits 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, 2020, the Authority's carrying amount of deposits and bank balance was \$349,696, of which \$250,920 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### **NOTE 4: PENSION PLAN**

##### **General Information about the NDPERS Pension Plan**

##### ***North Dakota Public Employees Retirement System (Main System)***

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.

## **RED RIVER RETENTION AUTHORITY**

### **Notes to the Financial Statements – Continued**

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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 provision 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 monthly 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 2.00% 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 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 re-employed, they have the option of repurchasing their previous service.

#### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contributions rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

**RED RIVER RETENTION AUTHORITY**

## Notes to the Financial Statements – Continued

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

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

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

At December 31, 2020, the Authority reported no pension and no pension expense. At December 31, 2020, the Authority also reported no deferred outflows of resources and deferred inflows of resources related to pensions.

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50% 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. Mortality 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 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
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 in 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.

## RED RIVER RETENTION AUTHORITY

### Notes to the Financial Statements – Continued

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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 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 2.45%; and the resulting Single Discount Rate is 4.64%.

#### **Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.**

As of December 31, 2020, the Authority had no net pension liability.

#### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in a separately issued NDPERS financial report.

### **NOTE 5: JOINT VENTURES**

#### **Red River Joint Water Resource District**

Under authorization of state statutes, the Southeast Cass Water Resource District joined North Cass Water Resource District, Rush River Water Resource District, Maple River Water Resource District, and the water resource districts of Richland County, Grand Forks County, Pembina County, Traill County, Steele County, Walsh County, Nelson County, Ransom County, and Sargent County to establish and operate a joint exercise of powers agreement for the water management districts located within the Red River Valley. Known as the Red River Joint Water Resource Board, the agreement was established for the mutual advantage of the governments. Each government appoints one member of the board of directors for the joint venture. The operating and capital expenses are funded by contributions from each government. Each government's share of assets, liabilities, and fund equity cannot be determined as no provision is made for this in the joint venture agreement and each government's contribution each year depends on where Red River Joint Water Resource Board projects are being undertaken.

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2020, which is the most current audited information available:

Total Assets	\$ 15,159,408
Total Liabilities	190,456
Net Position	\$ 14,968,952
Revenues	\$ 2,760,071
Expenses	1,168,138
Change in Net Position	\$ 1,591,933

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

### **NOTE 6: RISK MANAGEMENT**

The Authority 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 (NDRF), 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 Authority carries commercial insurance for risks of loss considered necessary. The Authority's property and liability insurance is provided through the NDRF.

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

**RED RIVER RETENTION AUTHORITY**Budgetary Comparison Schedule – General Fund  
For the Year Ended December 31, 2020

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 91,000	\$ 91,000	\$ 86,000	\$ (5,000)
Interest Income	3,000	3,000	2,472	(528)
Total Revenues	\$ 94,000	\$ 94,000	\$ 88,472	\$ (5,528)
<b>EXPENDITURES</b>				
Current				
Conservation of Natural Resources	\$ 94,000	\$ 94,000	\$ 83,048	\$ 10,952
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 5,424	\$ 5,424
Fund Balance - January 1	\$ 343,364	\$ 343,364	\$ 343,364	\$ -
Fund Balance - December 31	\$ -	\$ 343,364	\$ 348,788	\$ 5,424

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

**RED RIVER RETENTION AUTHORITY**

Schedule of Authority's Share of Net Pension Liability and Authority Contributions  
For the Year Ended December 31, 2020

**Schedule of Authority's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years**

	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.000000%	-	-	0.00%	0.00%
2019	0.000000%	-	-	0.00%	0.00%
2018	0.000000%	-	-	0.00%	0.00%
2017	0.000000%	-	-	0.00%	0.00%
2016	0.000000%	-	-	0.00%	0.00%
2015	0.000000%	-	-	0.00%	0.00%
2014	0.949700%	\$ 60,279	\$ 80,004	75.35%	77.70%

**Schedule of Authority Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years**

	Statutory Required Contribution	Contributions in Relation to the Statutory Required Contribution	Contribution Deficiency (Excess)	Authority's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	-	-	-	-	0.00%
2019	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2016	-	-	-	-	0.00%
2015	-	\$ 4,747	\$ 4,747	-	0.00%
2014	\$ 5,696	(5,696)	-	\$ 80,004	7.12%

## **RED RIVER RETENTION AUTHORITY**

Notes to the Required Supplementary Information

For the Year Ended December 31, 2020

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### **NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budget**

- The Authority 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 Authority.
- The budget includes proposed expenditures and means of financing them.
- The Authority, 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 Authority 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 Authority officers did not amend the Authority revenue or expenditure budget for 2020.

### **NOTE 3: SCHEDULE OF AUTHORITY PENSION LIABILITY AND CONTRIBUTIONS**

GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the Authority will present information for those years which information is available.



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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 Retention Authority  
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 Retention Authority as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Red River Retention Authority's basic financial statements, and have issued our report thereon dated June 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Red River Retention Authority'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 Retention Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Red River Retention Authority'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *schedule of audit findings* as item 2020-001 that we consider to be a material weakness.

## **RED RIVER RETENTION AUTHORITY**

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 Retention Authority'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 Retention Authority's Response to Findings**

Red River Retention Authority's response to the findings identified in our audit is described in the accompanying *schedule of audit findings*. Red River Retention Authority'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  
June 16, 2021

## RED RIVER RETENTION AUTHORITY

Summary of Auditor's Results

For the Year Ended December 31, 2020

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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?

       Yes      X   None Noted

Noncompliance material to financial statements noted?

       Yes      X   None Noted

## **RED RIVER RETENTION AUTHORITY**

Schedule of Audit Findings

For the Year Ended December 31, 2020

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### **2020-001 - LACK OF SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

#### **Condition**

The Red River Retention Authority 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.

#### **Effect**

The lack of segregation of duties increases the risk of material misstatement to the Red River Retention Authority's financial condition, whether due to fraud or error.

#### **Cause**

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

#### **Criteria**

According to the COSO framework, 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 Red River Retention Authority.

#### **Repeat Finding**

Yes

#### **Recommendation**

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

- Financial statements and credit memos should be reviewed 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. •
- Include the board in reviewing bank reconciliations, credit memos, manual adjustments, etc.

#### **Red River Retention Authority'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 Authority.



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## GOVERNANCE COMMUNICATION

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Governing Board  
Red River Retention Authority  
West Fargo, North Dakota

We have audited the financial statements of the governmental activities and the major fund of the Red River Retention Authority, North Dakota, for the year ended December 31, 2020 which collectively comprise Red River Retention Authority's basic financial statements, and have issued our report thereon dated June 16, 2021. 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 13, 2021, 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 Retention Authority'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 Retention Authority'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 Retention Authority are described in Note 1 to the financial statements. Application of existing policies was not changed during the year ended December 31, 2020. 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.

### **Corrected and Uncorrected Misstatements**

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

### **Disagreements with Management**

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

### **Management Representations**

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

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Red River Retention Authority'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 Retention Authority, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of Red River Retention Authority 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 Retention Authority.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
June 16, 2021



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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