



# 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, 2021

*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, 2021

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# RED RIVER RETENTION AUTHORITY

Authority Officials

December 31, 2021

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## DISTRICT OFFICIALS

Gary Thompson  
John Finney  
William Peterson  
Rodger Olson  
Greg Holmvik  
Ben Varnson

Co-Chairman  
Co-Chairman  
Board Member  
Board Member  
Board Member  
Board Member

Carol Harbeke Lewis

Secretary-Treasurer

Sean M. Fredricks

Attorney



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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

#### *Opinions*

We have audited the financial statements of the governmental activities and the major fund of Red River Retention Authority, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Red River Retention Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Red River Retention Authority, North Dakota, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *managements discussion and analysis, budgetary comparison schedules, and notes to the required supplementary information*, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 29, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 29, 2022

## RED RIVER RETENTION AUTHORITY

Management's Discussion and Analysis

December 31, 2021

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, 2021. 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 2021 are as follows:

- Net position increased \$1,100 as a result of the current year's operations.
- Governmental net position as of the end of the fiscal year totaled \$349,888.
- Total revenues were \$87,381 on the government-wide statement of activities and on the modified accrual basis.
- Total expenses were \$86,281 on the government-wide statement of activities and on the modified accrual basis.
- The Authority's general fund had \$87,381 in total revenues, \$86,281 in total expenditures. Overall, the general fund balance increased by \$1,100 for the year ended December 31, 2021.

### 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, 2021?”

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, 2021 and 2020 fiscal year. The Authority's net position is unrestricted net position.

**TABLE I**  
**NET POSITION**  
December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current Assets	\$ 349,888	\$ 349,696
<b>LIABILITIES</b>		
Current Liabilities	\$ -	\$ 907
<b>NET POSITION</b>		
Unrestricted	\$ 349,888	\$ 348,788

**RED RIVER RETENTION AUTHORITY**

## Management's Discussion and Analysis – Continued

Table II shows the changes in net position for the fiscal year ended December 31, 2021 and 2020.

**TABLE II**  
**CHANGE IN NET POSITION**  
As of December 31, 2021 and 2020

	2021	2020
<b>REVENUES</b>		
Program Revenues		
Operating Grants & Contributions	\$ 86,000	\$ 86,000
General Revenues		
Interest Earnings	781	2,472
Miscellaneous Revenue	600	
Total Revenues	<u>\$ 87,381</u>	<u>\$ 88,472</u>
<b>EXPENSES</b>		
Conservation of Natural Resources	<u>\$ 86,281</u>	<u>\$ 72,337</u>
Change in Net Position	<u>\$ 1,100</u>	<u>\$ 16,135</u>
Net Position – January 1	<u>\$ 348,788</u>	<u>\$ 332,653</u>
Net Position – December 31	<u><u>\$ 349,888</u></u>	<u><u>\$ 348,788</u></u>

Revenues and expenses were comprised of the following:

<b>Revenues</b>	
Operating and Non-Restricted Grants and Contributions	98.42%
Interest Revenue	0.89%
Miscellaneous Revenue	0.69%
<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, 2021 and 2020

	Total Cost For Year Ended Dec. 31, 2021	Net Cost For Year Ended Dec. 31, 2021	Total Cost For Year Ended Dec. 31, 2020	Net Cost For Year Ended Dec. 31, 2020
Conservation of Natural Resources	<u>\$ 86,281</u>	<u>\$ (281)</u>	<u>\$ 72,337</u>	<u>\$ 13,663</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 \$87,381 and expenditures of \$86,281 for the year ended December 31, 2021. As of December 31, 2021, the total unassigned fund balance for the entire Authority's governmental funds was \$349,888.

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

During the course of fiscal year 2021, the Authority did not amend the general fund revenue budget or the expenditure budget.

Actual revenue for the year ended December 31, 2021 was under budget by \$4,119.

Actual expenditures for the year ended December 31, 2021 was under budget by \$5,219.

#### **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, 2021

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	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 349,888</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 349,888</u></u>

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

## For the Year Ended December 31, 2021

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

**RED RIVER RETENTION AUTHORITY**

Balance Sheet – Governmental Funds

December 31, 2021

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	<u>General</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$          349,888</u>
 Total Assets	 <u><u>\$          349,888</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Fund Balances	
Unassigned	<u>\$          349,888</u>
 Total Liabilities and Fund Balances	 <u><u>\$          349,888</u></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, 2021

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Total <i>Fund Balances</i> for Governmental Funds	<u>\$ 349,888</u>
Total Net Position - Governmental Activities	<u><u>\$ 349,888</u></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, 2021

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	<u>General</u>
<b>REVENUES</b>	
Intergovernmental	\$ 86,000
Interest Income	781
Miscellaneous	<u>600</u>
Total Revenues	<u>\$ 87,381</u>
<b>EXPENDITURES</b>	
Current	
Conservation of Natural Resources	<u>\$ 86,281</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,100</u>
Fund Balance - January 1	<u>\$ 348,788</u>
Fund Balance - December 31	<u><u>\$ 349,888</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, 2021

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Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 1,100
Change in Net Position of Governmental Activities	<u>\$ 1,100</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, 2021

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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. 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.

#### **F. 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.

#### **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 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.

## **RED RIVER RETENTION AUTHORITY**

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

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#### **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, 2021, the Authority's carrying amount of deposits and bank balance was \$349,888, of which \$251,831 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: 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.

**RED RIVER RETENTION AUTHORITY**Notes to the Financial Statements – Continued

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The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2021, which is the most current audited information available:

Total Assets	\$ 17,087,415
Total Liabilities	30,427
Net Position	\$ 17,056,989
Revenues	\$ 2,796,564
Expenses	708,528
Change in Net Position	\$ 2,088,036

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

**NOTE 5: 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.

The Authority carries commercial insurance for risks of loss considered necessary. The Authority's property and liability insurance is provided through the Cincinnati Indemnity Company.

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, 2021

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	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Intergovernmental	\$ 86,000	\$ 86,000	\$ 86,000	\$ -
Interest Income	5,500	5,500	781	(4,719)
Miscellaneous	-	-	600	600
Total Revenues	\$ 91,500	\$ 91,500	\$ 87,381	\$ (4,119)
<b>EXPENDITURES</b>				
Current				
Conservation of Natural Resources	\$ 91,500	\$ 91,500	\$ 86,281	\$ 5,219
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 1,100	\$ 1,100
Fund Balance - January 1	\$ 348,788	\$ 348,788	\$ 348,788	\$ -
Fund Balance - December 31	\$ -	\$ 348,788	\$ 349,888	\$ 1,100

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

## **RED RIVER RETENTION AUTHORITY**

Notes to the Required Supplementary Information

For the Year Ended December 31, 2021

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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 2021.

STATE AUDITOR  
Joshua C. Gallion



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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, 2021, 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 29, 2022.

**Report on 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) as a basis for designing 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 were not identified. We did identify a certain deficiency in internal control, described in the accompanying *schedule of audit findings* as item 2021-001 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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### Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Red River Retention Authority's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Red River Retention Authority's response to the findings identified in our audit and 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 the response.

### 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 29, 2022

## RED RIVER RETENTION AUTHORITY

Summary of Auditor's Results

For the Year Ended December 31, 2021

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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, 2021

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### **2021-001 - 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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June 29, 2022

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, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Red River Retention Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Red River Retention Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

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

### 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 29, 2022.

### **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 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.

### **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.

### **Other Matters**

We applied certain limited procedures to the *management's discussion and analysis, budgetary comparison information, and notes to the required supplementary information* which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### **Restrictions on Use**

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 29, 2022



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

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