

RED RIVER RETENTION AUTHORITY

Balance Sheet – Governmental Funds

December 31, 2021

	<u>General</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 349,888</u>
Total Assets	<u><u>\$ 349,888</u></u>
LIABILITIES AND FUND BALANCES	
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

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

	<u>General</u>
REVENUES	
Intergovernmental	\$ 86,000
Interest Income	781
Miscellaneous	<u>600</u>
Total Revenues	<u>\$ 87,381</u>
EXPENDITURES	
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

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

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

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

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

Financial Statements

Type of Report Issued:	
Governmental Activities	Unmodified
Major Funds	Unmodified

Internal control over financial reporting

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

RED RIVER RETENTION AUTHORITY

Schedule of Audit Findings

For the Year Ended December 31, 2021

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.

STATE AUDITOR
Joshua C. Gallion



PHONE
701-328-2241

FAX
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota, 58505

ndsao@nd.gov

GOVERNANCE COMMUNICATION

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

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505