

WEST RIVER WATER DEVELOPMENT DISTRICT

INDEPENDENT AUDITORS' REPORTS,
FINANCIAL STATEMENTS,
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2011



CASEY PETERSON & ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

RAPID CITY, SOUTH DAKOTA

**West River Water Development District
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December 31, 2011**

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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*

Governing Board
West River Water Development District
Murdo, South Dakota

We have audited the financial statements of the governmental activities and general fund of West River Water Development District as of and for the year ended December 31, 2011 which collectively comprise West River Water Development District's basic financial statements and have issued our report thereon dated April 13, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West River Water Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below as items 2011-1 and 2011-2, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below as items 2011-1 and 2011-2 to be material weaknesses.

2011-1 Segregation of Duties

Condition and Criteria: The District has a lack of segregation of duties in the cash receipts cycle. One employee has responsibility over the entire cash receipt cycle. Segregation of duties is a fundamental concept in a good system of controls. This is a continuing finding from prior year audits.

Cause: This condition is the result of the limited number of employees working in the business office.

Effect: Without proper segregation of duties, the risk of intentional and unintentional errors not being detected increases.

Auditor Recommendation: The District should evaluate the cash receipts cycle and implement controls accordingly. Key duties and responsibilities should be divided or segregated among different people to reduce the risk of error, waste, or fraud. Specifically, access to physical assets and the related accounting records should be separated between two different employees. We specifically recommend the following:

- The person who opens incoming mail should prepare a list of cash items received daily at the time of opening the mail before the cash items are routed to the person responsible for depositing funds. The daily list of receipts should be forwarded to the employee responsible for posting cash receipts to the accounting system. The employee posting cash receipts should never have access to cash.
- The person who prepares the bank deposit should be an employee who does not have access to the accounts receivable ledgers or cash ledgers, and this person should be given the checks directly from the mail opener. The list of cash receipts should be compared to the deposit slip and the daily cash postings to insure all cash receipts have been accounted for.

Management's Response: Management is in agreement with this finding and is aware of the lack of internal controls over the cash receipts process. Management and the board of directors have considered the cost and benefits to remedy the situation and have determined that staffing arrangements would necessitate hiring an additional staff member to help segregate duties, which is not feasible. Management will remain aware of the implications related to the lack of segregation of duties within this cycle.

2011-2 Financial Statement Preparation

Condition and Criteria: The District does not have an internal control system designed to provide for drafting the financial statements being audited or to reconcile taxes receivable and the related revenue and deferred revenue to the accrual and modified accrual basis of accounting. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other consideration. This is a continuing finding from prior year audits.

Cause: This condition is the result of the limited number of employees working in the business office.

Effect: As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements and to adjust the taxes receivable, deferred revenue and tax revenue.

Auditor Recommendation: We recommend that management develop a system of internal controls to insure proper reporting of the financial statements and notes to the financial statements. If management does not have the resources or expertise to adjust taxes receivable and the related deferred revenue and tax revenue or to draft and review the financial statements, we recommend that the District contract with another accounting firm to draft the financial statements and footnotes, or obtain a financial expert on the Board of Directors to help mitigate or eliminate this internal control weakness.

Management's Response: Management is in agreement with this finding and is aware of the lack of internal controls over the financial statement drafting. Management and the board of directors have considered the cost and benefits to remedy the situation and have determined the cost of hiring a financial expert exceeds the benefits. Also, the board membership is voluntary and it is difficult to obtain a financial expert among the board.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West River Water Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

The District's responses to the findings identified in our audit are described above. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Governing Board of West River Water Development District, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Certified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink that reads "Casey Peterson & Associates, Ltd." with a stylized flourish at the end.

Casey Peterson & Associates, Ltd.

Rapid City, South Dakota

April 13, 2012



Independent Auditors' Report

Governing Board
West River Water Development District
Murdo, South Dakota

We have audited the accompanying financial statements of the governmental activities and the general fund of West River Water Development District, Murdo, South Dakota, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West River Water Development District's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of the West River Water Development District as of December 31, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2012, on our consideration of the West River Water Development District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 9 and 20 through 22 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise West River Water Development District's basic financial statements. The accompanying list of district officials is not a required part of the basic financial statements of West River Water Development District. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

A handwritten signature in blue ink that reads "Casey Peterson & Associates, Ltd." The signature is written in a cursive, flowing style.

Casey Peterson & Associates, Ltd.

Rapid City, South Dakota

April 13, 2012

West River Water Development District Management's Discussion and Analysis (Unaudited) December 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of West River Water Development District's (the District) annual financial report presents discussion and analysis of the District's financial performance for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Please read it in conjunction with the District's financial statements and notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's financial position increased from the previous year due to an excess of revenue over expenditures in the amount of \$14,784.

DISCUSSION OF BASIC FINANCIAL STATEMENTS

The annual report consists of four parts, the management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements consist of fund financial statements and government-wide statements.

- Government-wide financial statements include the Statement of Net Assets and the Statement of Activities columns in the Government Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities financial statements. The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base.
- The fund financial statements include the General Fund columns in the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities financial statements. The District only has one fund, the General Fund, which accounts for the basic services of the District. The General Fund uses the modified accrual basis of accounting which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the adjustment columns of financial statements, which explains the relationship (or differences) between them.

See independent auditors' report.

**West River Water Development District
Management's Discussion and Analysis (Unaudited)
December 31, 2011**

FINANCIAL ANALYSIS OF DISTRICT AS A WHOLE

Governmental Activities

The District's statement of net assets as of December 31, 2011 and 2010 were as follows:

Table 1
West River Water Development District
Statement of Net Assets

	<u>Governmental Activities FY 2011</u>	<u>Governmental Activities FY 2010</u>	<u>Total Percentage Change</u>
Assets			
Current and Other Assets	\$ 77,881	\$ 63,409	22.82%
Liabilities			
Other Current Liabilities	\$ 268	\$ 580	-53.79%
Net Assets			
Unrestricted	\$ 77,613	\$ 62,829	23.53%

West River Water Development District's project and administrative costs decreased by \$1,488 from 2010 to 2011 with tax revenues decreasing by \$164.

The changes in net assets for the years ended December 31, 2011 and 2010 were as follows:

Table 2
West River Water Development District
Changes in Net Assets

	<u>Governmental Activities FY 2011</u>	<u>Governmental Activities FY 2010</u>	<u>Total Percentage Change</u>
Revenues			
General Revenues	\$ 103,039	\$ 103,203	
Total Revenue	103,039	103,203	-0.16%
Expenses			
General Government	88,255	89,743	
Total Expenses	88,255	89,743	-1.66%
Increase in Net Assets	\$ 14,784	\$ 13,460	9.84%

See independent auditors' report.

**West River Water Development District
Management's Discussion and Analysis (Unaudited)
December 31, 2011**

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The District, due to its size and limited amount of business activity, is currently only operating with one governmental fund, the General Fund, which has been presented to the reader in the previous discussions and tables.

ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

Analyzing the District's differences between the original and final General Fund budget amounts and variances between the final budget and the actual results will show very little variance.

DESCRIPTION OF SIGNIFICANT CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The District has no long-term debt and, in like manner, has no capital assets.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have questions about this report or need additional information, contact the District's Business Office, P.O. Box 407, Murdo, SD 57559-0407.

See independent auditors' report.

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BASIC FINANCIAL STATEMENTS

**West River Water Development District
Governmental Fund Balance Sheet/Statement of Net Assets
December 31, 2011**

	<u>General Fund</u>	<u>Adjustment (Note 6)</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash	\$ 73,758	\$ -	\$ 73,758
Taxes Receivable			
Delinquent	3,319	-	3,319
Prepaid Expenses	804	-	804
TOTAL ASSETS	<u>\$ 77,881</u>	<u>\$ -</u>	<u>\$ 77,881</u>
LIABILITIES			
Accounts Payable	\$ 268	\$ -	\$ 268
Deferred Revenues	3,320	(3,320)	-
TOTAL LIABILITIES	<u>3,588</u>	<u>(3,320)</u>	<u>268</u>
FUND BALANCE/NET ASSETS			
FUND BALANCE			
Non-spendable for Prepaid Expenses	804	(804)	-
Unassigned	73,489	(73,489)	-
TOTAL FUND BALANCE	<u>74,293</u>	<u>(74,293)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 77,881</u>		
NET ASSETS			
Unrestricted		<u>\$ 77,613</u>	<u>\$ 77,613</u>

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

West River Water Development District
Statement of Governmental Fund Revenues, Expenditures and Changes in
Fund Balance/Statement of Activities
For the Year Ended December 31, 2011

	General Fund	Adjustment (Note 7)	Statement of Activities
EXPENDITURES/EXPENSES			
General Government	\$ 88,255	\$ -	\$ 88,255
Total Expenditures/Expenses	<u>88,255</u>	<u>-</u>	<u>88,255</u>
GENERAL REVENUES			
Property Tax	101,237	980	102,217
Other Taxes	1,489	(815)	674
Interest	148	-	148
Total General Revenues	<u>102,874</u>	<u>165</u>	<u>103,039</u>
CHANGE IN FUND BALANCE	<u>14,619</u>	<u>(14,619)</u>	<u>-</u>
CHANGE IN NET ASSETS		14,784	14,784
FUND BALANCE/NET ASSETS			
BEGINNING OF YEAR	<u>59,674</u>	<u>3,155</u>	<u>62,829</u>
FUND BALANCE/NET ASSETS			
END OF YEAR	<u>\$ 74,293</u>	<u>\$ 3,320</u>	<u>\$ 77,613</u>

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

West River Water Development District
Notes to the Financial Statements
December 31, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of West River Water Development District (the District) are prepared in accordance with generally accepted accounting principles. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. REPORTING ENTITY

The District was formed in 1985 with the purpose to promote the conservation, development, and proper management of district water resources through technical, organizational, and financial assistance to local water associations, cities, and towns.

B. BASIS OF PRESENTATION

Basis of Presentation:

The Government-wide Statement of Net Assets is presented in combination with the Governmental Fund Balance Sheet. In addition, the Government-wide Statement of Activities is presented in combination with the Statement of Revenues, Expenditures and Changes in Fund Balance.

Government-wide Statements:

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the overall organization. Governmental activities are generally financed through taxes and other nonexchange transactions.

The Statement of Net Assets reports all financial and capital resources in a net asset form (assets minus liabilities equal net assets). Net assets are required to be displayed in three components, as applicable: invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues of the District. Direct expenses are those that are specifically associated with a program or functions and, therefore, are clearly identifiable to a particular function. Expenses are presented in the normal functional categories as defined by the adopted budget. Program revenues include (a) charges paid by recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. The District has one fund, the General Fund, which is classified as a governmental fund and therefore does not present proprietary or fiduciary fund categories.

As previously mentioned, the District only has one fund. This fund is described below:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures are recognized in the accounts and reported in the financial statements regardless of the measurement focus.

West River Water Development District
Notes to the Financial Statements
December 31, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements: The government-wide Statement of Net Assets and Statement of Activities 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.

Fund Financial Statements: The “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund types.

Basis of Accounting

Government-wide Financial Statements: In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests), and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements: Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within thirty days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

D. TAXES RECEIVABLE

Taxes receivable are considered by management to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary.

E. CAPITAL ASSETS

Government-wide Financial Statements: Capital Assets acquired through purchases with a unit cost of \$500 or more that are tangible in nature and have a useful life of one year or more are capitalized.

Depreciation expense is calculated using the straight-line methods. As of December 31, 2011, the District did not have capital assets.

Fund Financial Statements: Capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

F. DEFERRED REVENUE

Receivables such as taxes receivable, may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

West River Water Development District
Notes to the Financial Statements
December 31, 2011

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. NET ASSETS AND FUND BALANCE

Government-wide Financial Statements:

It is the District's policy to first use restricted net assets, prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets on the Statement of Net Assets include the following:

Unrestricted - Represents all net assets that do not meet the definition of restricted.

Fund Financial Statements:

In accordance with GASB No. 54, the District classified governmental fund balances as follows:

Non-spendable - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The District's non-spendable fund balances consist of prepaid insurance and prepaid membership dues.

Restricted - Constraints are placed on the use of resources by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by actions of the Board of Directors.

Assigned - Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Amounts can be assigned by committees of the Board of Directors or management of the District.

Unassigned - Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

West River Water Development District
Notes to the Financial Statements
December 31, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS

South Dakota State statutes impose various restrictions on deposits and investments. Those restrictions are summarized below:

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA", or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits the District's funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly or (b) repurchase agreements fully collateralized by securities described in (a) or in shares of an open-end, no-load mutual fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. As of December 31, 2011, the District had no investments.

Custodial Credit Risk - Deposits - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. As of December 31, 2011 the deposits in financial institutions were fully collateralized.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State Law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices.

NOTE 3 - PROPERTY TAX

Property taxes are levied on or before each October 1, are attached as an enforceable lien on property as of the following January 1, and are payable in two installments on or before April 30 and October 31. The counties bill and collect the District's taxes and remit them to the District.

Property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Accordingly, if current property tax receipts exceed the amount intended to finance the current year's appropriations these receipts are reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal year within the "availability period."

The District is permitted to levy taxes not to exceed 30 cents per \$1,000 of taxable property in the District.

The tax rate used to finance District services for the year ended December 31, 2011 was 8.8 cents per \$1,000 of taxable property in the District.

West River Water Development District
Notes to the Financial Statements
December 31, 2011

NOTE 4 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, the District maintained a related party relationship with West River/Lyman-Jones Rural Water Systems, Inc. (WR/LJ), whereas, the employees that perform the day to day operations of the District are employees of WR/LJ, the management of the District is the management of WR/LJ, and the business office of the District is located in the WR/LJ office building. Management and day to day operations of the District are provided through an administrative service agreement where the District agrees to pay WR/LJ the sum of \$1,000 per month for these services. The administrative services agreement expenditures for the year ended December 31, 2011 were \$12,000.

The District provides a grant to WR/LJ on an annual basis. For the year ended December 31, 2011, the District provided WR/LJ \$50,000 under this grant.

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases liability insurance to cover these risks from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

NOTE 6 - EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

The fund balance of the District's governmental fund differs from "net assets" of governmental activities reported in the Statement of Net Assets. This difference results primarily from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the Governmental Fund Balance Sheet.

Because the focus of the governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental fund and are not included in the fund balance.

The adjustment to remove deferred revenue recorded in the Governmental Fund Balance Sheet and to recognize this amount as revenue/net assets in the Statement of Net Assets was \$3,320 for the year ended December 31, 2011.

NOTE 7 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE STATEMENT OF ACTIVITIES

Total revenues in the governmental fund differ from the total revenues for the governmental activities in the Statement of Activities. The differences result primarily from the long-term economic focus of the statement's activities versus the current financial resources focus of the governmental funds.

Because some property taxes will not be collected for several months after the District's year end, they are not considered "available" revenues in the governmental funds. The adjustment related to this difference was \$165 for the year ended December 31, 2011.

REQUIRED SUPPLEMENTAL INFORMATION

**West River Water Development District
Budgetary Comparison Schedule - General Fund -
Budgetary Basis
For the Year Ended December 31, 2011**

	Budget Amounts	
	Original	Final
REVENUE		
Property Tax	\$ 102,217	\$ 102,217
Other Taxes	1,800	1,800
Interest	500	500
Total Revenue	<u>104,517</u>	<u>104,517</u>
EXPENDITURES		
Board of Directors Per Diem	<u>3,600</u>	<u>3,600</u>
Administration and Technical Assistance		
Insurance	1,680	1,680
Publishing	4,800	4,800
Supplies and Materials	180	180
Taxes	-	-
Other	4,000	4,000
Service Agreement - Water Company	<u>12,000</u>	<u>12,000</u>
Total Administration and Technical Assistance	<u>22,660</u>	<u>22,660</u>
Professional Service and Fees	<u>7,500</u>	<u>7,500</u>
Project Assistance		
Municipal and Rural Water	50,000	50,000
Geological Survey	12,000	12,000
Other	<u>49,000</u>	<u>49,000</u>
Total Project Assistance	<u>111,000</u>	<u>111,000</u>
Contingency	<u>10,000</u>	<u>10,000</u>
Total Expenditures	<u>154,760</u>	<u>154,760</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,243)	(50,243)
FUND BALANCE - BEGINNING	<u>59,674</u>	<u>59,674</u>
FUND BALANCE - ENDING	<u>\$ 9,431</u>	<u>\$ 9,431</u>

See independent auditors' report and the accompanying notes
to the required supplemental information.

<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 101,237	\$ (980)
1,489	(311)
<u>148</u>	<u>(352)</u>
<u>102,874</u>	<u>(1,643)</u>
<u>3,360</u>	<u>240</u>
954	726
3,119	1,681
96	84
359	(359)
1,145	2,855
<u>12,000</u>	<u>-</u>
<u>17,673</u>	<u>4,987</u>
<u>6,572</u>	<u>928</u>
50,000	-
10,650	1,350
<u>-</u>	<u>49,000</u>
<u>60,650</u>	<u>50,350</u>
<u>-</u>	<u>10,000</u>
<u>88,255</u>	<u>66,505</u>
14,619	64,862
<u>59,674</u>	<u>-</u>
<u>\$ 74,293</u>	<u>\$ 64,862</u>

See independent auditors' report and the accompanying notes
to the required supplemental information.

West River Water Development District
Notes to the Required Supplementary Information
December 31, 2011

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedule has been prepared on the modified accrual basis of accounting.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

A notice of budget hearing is published once a week for two successive weeks, and the budget is published with the first notice.

On a date established by the District, but not later than the first of September, the Governing Board adopts an annual budget for the ensuing year.

Unexpended appropriations lapse at year-end.

Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See independent auditors' report.

SUPPLEMENTAL INFORMATION

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**West River Water Development District
District Officials
December 31, 2011**

The Board of Directors as of December 31, 2011, was as follows:

Joseph R. Hieb, Chairman
Casey Krogman, Vice-Chairman
Marion Matt, Secretary/Treasurer
Lorne Smith, Director
Veryl Prokop, Director