

# **OFFICE OF STATE AUDITOR**

## **AUDIT REPORT**

**MAPLE RIVER WATER RESOURCE DISTRICT  
WEST FARGO, NORTH DAKOTA**

**(A COMPONENT UNIT OF CASS COUNTY)**

**FOR THE YEAR ENDED DECEMBER 31, 2011**



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MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

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For the Year Ended December 31, 2011

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MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

**DISTRICT OFFICIALS**

December 31, 2011

Rodger Olson  
Wesley Beilke  
Jurgen Suhr

Chairman  
Vice Chairman  
Manager

Carol Harbeke-Lewis

Secretary/Treasurer

Sean M. Fredricks

Attorney

**STATE AUDITOR**

ROBERT R. PETERSON  
Phone (701) 328-2241  
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Local Government Division:  
FARGO OFFICE  
MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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INDEPENDENT AUDITOR'S REPORT

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Governing Board  
Maple River Water Resource District  
West Fargo, North Dakota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Maple River Water Resource District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise the Water Resource District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Maple River Water Resource District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Maple River Water Resource District, West Fargo, North Dakota, as of December 31, 2011, and the respective changes in financial position 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 June 20, 2012, on our consideration of Maple River Water Resource District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government 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 4 through 8 and 27 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**MAPLE RIVER WATER RESOURCE DISTRICT**  
Independent Auditor's Report - Continued

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maple River Water Resource District's financial statements. The combining non-major fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major fund statements are fairly stated in all material respects in relation to the financial statements as a whole.



Robert R. Peterson  
State Auditor

June 20, 2012

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MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2011

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The Management's Discussion and Analysis (MD&A) of Maple River Water Resource District's financial performance provides an overall review of the District's financial activities for the fiscal year ended December 31, 2011. The intent of the MD&A is to look at the District'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*. Certain comparative information between the current fiscal year and the prior year is presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2011 are as follows:

- Net assets of Maple River Water Resource District decreased \$204,953 as a result of the current year's operations.
- Governmental net assets as of the end of the fiscal year totaled \$12,151,650.
- Total revenues from all sources were \$1,039,220 on the government-wide statement of activities and \$1,065,053 on the modified accrual basis.
- Total expenses were \$1,244,173 on the government-wide statement of activities and total expenditures were \$1,088,893 on the modified accrual basis.
- The District's general fund had \$177,911 in total revenues and \$253,787 in total. Overall, the general fund balance decreased by \$75,876 for the year ended December 31, 2011.

### **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 Maple River Water Resource District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District'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 fund financial statements also look at the District's general fund (including Maple River WRD Obligated Funds), Drain #14, Drain #56, Swan Creek Maintenance, Capital Project Funds, and Debt Service Funds with all other non-major governmental funds presented in total in one column.

### **REPORTING ON THE DISTRICT AS A WHOLE**

#### Statement of Net Assets and Statement of Activities

These statements are summaries of all the funds used by the Maple River Water Resource District to provide programs and activities and attempt to answer the question "How did the District do financially during the year ended December 31, 2011?"

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information on how the District's net assets changed during the fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net assets 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 special assessments, and earned but unused vacation leave).

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the District as a whole, the financial position of the District 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 Assets and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where all of the District's programs and services are reported including, but not limited to, conservation of natural resources, capital outlay and debt service.

## **REPORTING ON THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### Balance Sheet – Governmental Funds

The District 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 District to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the District's major funds. Using the criteria established by GASB Statement No. 34, the District's general fund (including MR WRD Obligated Funds), Drain #14, Drain #56, Swan Creek Maintenance, Capital Project Funds and Debt Service Funds are considered "major funds".

The District's other governmental funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds".

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table I reflects significant changes in Current Assets, Long-Term Assets, Capital Assets and Current Liabilities between the December 31, 2011 and December 31, 2010 fiscal years. Capital assets decreased due to the completion of construction on various drain projects. Long-Term Special Assessments Receivable decreased during the year. Current liabilities increased due to accounts payable increasing for construction costs for projects not yet completed at year-end. Long-Term liabilities decreased due to bonds and loan payments.

The District's net assets of \$12,151,650 are segregated into three separate categories. Net assets invested in capital assets (net of related debt) represents 97% of the District's total net assets. It should be noted that these assets are not available for future spending. Restricted net assets represent 3% of the District's net assets. Restricted net assets represent resources that are subject to external restrictions on how they must be spent. The unrestricted net assets are available to meet the District's ongoing obligations.

**MAPLE RIVER WATER RESOURCE DISTRICT**  
 Management's Discussion and Analysis – Continued

**TABLE 1**  
**NET ASSETS**  
 December 31, 2011 and 2010

	12-31-11	12-31-10
<b>Assets:</b>		
Current Assets	\$ 262,051	\$ 187,417
Long Term Assets	218,288	243,771
Capital Assets (net of accumulated depreciation)	12,440,124	12,760,708
<b>Total Assets</b>	<b>\$12,920,462</b>	<b>\$13,191,896</b>
<b>Liabilities:</b>		
Current Liabilities	\$ 162,652	\$ 65,242
Long-Term Liabilities	606,161	770,050
<b>Total Liabilities</b>	<b>\$ 768,813</b>	<b>\$ 835,292</b>
<b>Net Assets:</b>		
Invested in Capital Assets, net of Related Debt	\$11,837,965	\$11,993,129
Restricted	313,685	374,430
Unrestricted	-	(10,956)
<b>Total Net Assets</b>	<b>\$12,151,650</b>	<b>\$12,356,303</b>

Table II shows the changes in net assets for the fiscal years ended December 31, 2011 and 2010.

**TABLE II**  
**CHANGES IN NET ASSETS**  
 As of December 31, 2011 and 2010

	2011	2010
<b>Revenues</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 356,622	\$ 393,966
Operating Grants & Contributions	433,905	1,056,708
<b>General Revenues:</b>		
Property Taxes	128,995	125,135
Unrestricted Grants and Contributions	16,837	8,857
Interest Earnings & Miscellaneous Revenue	102,860	7,795
<b>Total Revenues</b>	<b>\$ 1,039,220</b>	<b>\$ 1,592,431</b>
<b>Expenses</b>		
Conservation of Natural Resources	\$ 798,824	\$ 1,113,382
Capital Outlay	416,875	34,109
Interest and Service Charges	28,474	36,938
<b>Total Expenses</b>	<b>\$ 1,244,173</b>	<b>\$ 1,184,429</b>
<b>Change in Net Assets</b>	<b>\$ (204,953)</b>	<b>\$ 406,153</b>
<b>Net Assets – January 1</b>	<b>\$12,356,606</b>	<b>\$11,948,604</b>
<b>Net Assets – December 31</b>	<b>\$12,151,651</b>	<b>\$12,356,606</b>

## MAPLE RIVER WATER RESOURCE DISTRICT

### Management's Discussion and Analysis – Continued

Property taxes constituted 13%, charges for services 34%, operating and non-restricted grants and contributions 43%, and interest and miscellaneous revenue 10% of the total revenues of governmental activities of the District for fiscal year 2011. Operating grants decreased over the prior year due to not receiving state water commission cost share on drain infrastructure projects.

Conservation of natural resources constituted 64%, capital outlay 34% and debt service 2% of total expenditures for governmental activities during fiscal year 2011. Expenses increased in various drains for maintenance and additional drain projects for the year ended December 31, 2011.

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, 2011 and 2010

	Total Cost For Year Ended Dec. 31, 2011	Net Cost For Year Ended Dec. 31, 2011	Total Cost For Year Ended Dec. 31, 2010	Net Cost For Year Ended Dec. 31, 2010
Conser. of Natural Resources	\$ 798,824	\$(170,994)	\$1,113,382	\$159,496
Capital Outlay	416,875	(416,875)	34,109	(34,109)
Interest and Service Charges	28,474	134,223	36,938	140,858
Total Expenses	<u>\$1,244,173</u>	<u>\$(453,646)</u>	<u>\$1,184,429</u>	<u>\$266,245</u>

### FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the District'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 District'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 District's governmental funds had total revenue of \$1,065,053 and expenditures of \$1,088,893 for the year ended December 31, 2011. As of December 31, 2011 the unassigned fund balance of the District's general fund was \$(32,184) and total unassigned fund balance for the entire District's governmental funds was \$(442,260). Restricted fund balances totaled \$334,429 and committed fund balances totaled \$206,313.

### GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2011, the Maple River Water Resource Board amended the District's general fund revenue budget by \$25,355 primarily due to intergovernmental cost share reimbursements received on projects, state revenue sharing and application fees received. Additionally, the general fund expenditures budget was amended (increased) by \$37,179.

Actual revenue for the year ended December 31, 2011 was \$8,651 more than budgeted.

Actual expenditures for the year ended December 31, 2011 were over budget by \$24,003 due to an accounts payable adjustment at year-end (not reflected on the general ledger in 2011).

**CAPITAL ASSETS**

As of December 31, 2011, the Maple River Water Resource District had \$11,837,965 invested in capital assets, net of related debt. Table IV shows the capital asset balances at December 31, 2011 and 2010.

	2011	2010
Land	\$ 1,868,306	\$ 1,868,306
Facilities	3,868,199	4,067,212
Projects	6,197,938	6,331,087
Construction In Progress	505,682	494,103
Total Capital Assets (net of accumulated depreciation)	<u>\$12,440,124</u>	<u>\$12,760,708</u>

This total represents a net decrease of \$320,584 in total capital assets from January 1, 2011. The decrease is due to depreciation of assets. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 7 to the audited financial statements which follow this analysis.

**DEBT ADMINISTRATION**

As of December 31, 2011, the Maple River Water Resource District had \$608,333 in outstanding debt, of which \$169,422 was due within one year. Of the outstanding debt \$135,000 was loans payable. Bonds payable is reported in the statement of net assets net of bond costs and discounts of \$6,174 for a total of \$467,159. \$4,002 was compensated absences.

No new debt was issued in 2011.

For a detailed breakdown of the long-term debt readers are referred to Note 13 to the audited financial statements which follow analysis.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our taxpayers and creditors with a general overview of Maple River Water Resource District's finances and to show the District'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, Maple River Water Resource District, 1201 Main Avenue West, West Fargo, ND 58078.

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MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

STATEMENT OF NET ASSETS  
December 31, 2011

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	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 162,793
Due from County	564
Intergovernmental Receivable	93,828
Taxes Receivable	4,758
Special Assessments Receivable	108
Long-Term Receivable:	
Uncertified Special Assessments Receivable	218,288
Capital Assets (not being depreciated):	
Land	1,868,306
Construction in Progress	505,682
Capital Assets (being depreciated):	
Facilities	3,868,199
Projects	<u>6,197,938</u>
Total Capital Assets	<u>\$ 12,440,124</u>
 Total Assets	 <u>\$ 12,920,462</u>
 <u>LIABILITIES:</u>	
Accounts Payable	\$ 140,015
Benefits Payable	3,688
Retainages Payable	15,000
Interest Payable	3,949
Long-Term Liabilities:	
Due Within One Year:	
Bonds Payable	150,420
Loans Payable	15,000
Compensated Absences Payable	4,002
Due After One Year:	
Bonds Payable	316,739
Loans Payable	<u>120,000</u>
Total Liabilities	<u>\$ 768,813</u>
 <u>NET ASSETS:</u>	
Invested in Capital Assets, Net of Related Debt	\$ 11,837,965
Restricted for:	
Capital Projects	30,851
Debt Service	<u>282,834</u>
Total Net Assets	<u><u>12,151,650</u></u>

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

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Conservation of Natural Resources	\$ 798,824	\$ 193,925	\$ 433,905	\$ (170,994)
Capital Outlay	416,875	-	-	(416,875)
Interest and Service Charges	28,474	162,697	-	134,223
Total Governmental Activities	<u>\$ 1,244,173</u>	<u>\$ 356,622</u>	<u>\$ 433,905</u>	<u>\$ (453,646)</u>
<u>General Revenues:</u>				
Taxes				\$ 128,995
Non-restricted Grants and Contributions				16,837
Interest Earnings				2,826
Miscellaneous Revenue				100,034
Total General Revenues				<u>\$ 248,693</u>
Change in Net Assets				<u>\$ (204,953)</u>
Net Assets - January 1				<u>\$ 12,356,603</u>
Net Assets - December 31				<u>\$ 12,151,650</u>

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

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2011

	Major Funds							Total Governmental Funds
	General	Swan Creek Maint.	Drain #14	Drain #56	Capital Project Funds	Debt Service Funds	Other Governmental Funds	
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 39,861	\$ -	\$ 122,932	\$ 162,793
Due from County	560	2	-	1	-	-	-	564
Due from Other Funds	218,327	-	92,563	-	-	68,387	75,046	454,323
Taxes Receivable	2,734	1,341	338	-	-	-	345	4,758
Special Assessments Receivable	-	-	-	-	-	108	-	108
Intergovernmental Receivable	14,602	-	-	76,416	-	-	2,810	93,828
<b>Total Assets</b>	<b>\$ 236,222</b>	<b>\$ 1,343</b>	<b>\$ 92,901</b>	<b>\$ 76,417</b>	<b>\$ 39,861</b>	<b>\$ 68,495</b>	<b>\$ 201,134</b>	<b>\$ 716,374</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts Payable	\$ 55,671	\$ 1,196	\$ 468	\$ 863	\$ 2,696	\$ -	\$ 79,120	\$ 140,015
Benefits Payable	3,688	-	-	-	-	-	-	3,688
Retainages Payable	-	-	15,000	-	-	-	-	15,000
Due to Other Funds	-	350,251	-	55,152	-	-	48,919	454,322
Deferred Revenue	2,734	1,341	338	-	-	108	345	4,866
<b>Total Liabilities</b>	<b>\$ 62,093</b>	<b>\$ 352,788</b>	<b>\$ 15,807</b>	<b>\$ 56,015</b>	<b>\$ 2,696</b>	<b>\$ 108</b>	<b>\$ 128,384</b>	<b>\$ 617,892</b>
<b>Fund Balances:</b>								
Restricted	\$ -	\$ -	\$ 77,095	\$ 20,402	\$ 37,165	\$ 68,387	\$ 131,380	\$ 334,429
Committed	206,313	-	-	-	-	-	-	206,313
Unassigned	(32,184)	(351,445)	-	-	-	-	(58,631)	(442,260)
<b>Total Fund Balances</b>	<b>\$ 174,129</b>	<b>\$ (351,445)</b>	<b>\$ 77,095</b>	<b>\$ 20,402</b>	<b>\$ 37,165</b>	<b>\$ 68,387</b>	<b>\$ 72,749</b>	<b>\$ 98,482</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 236,222</b>	<b>\$ 1,343</b>	<b>\$ 92,901</b>	<b>\$ 76,417</b>	<b>\$ 39,861</b>	<b>\$ 68,495</b>	<b>\$ 201,134</b>	<b>\$ 716,374</b>

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

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2011

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Total <i>Fund Balances</i> for Governmental Funds	\$	98,482
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Total *net assets* reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds

Cost of Capital Assets	\$ 19,582,093	
Less Accumulated Depreciation	(7,141,969)	
Net Capital Assets		12,440,124

Property taxes and special assessments receivable will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred revenues in the funds.

Property Taxes Receivable	\$ 4,758	
Special Assessments Receivable	108	
		4,866

Long-Term Uncertified Special Assessments receivable are not reported in the funds because they are unavailable to pay the current period's expenditures.		218,288
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Long-term liabilities applicable to the Water Resource District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term- are reported in the statement of net assets. Balances at December 31, 2011 are made up of the following liabilities:

Bonds Payable	\$ (473,333)	
Loans Payable	(135,000)	
Bond Discount	1,723	
Bond Issuance Costs	4,451	
Interest Payable	(3,949)	
Compensated Absences	(4,002)	
Total Long-Term Liabilities		(610,110)

Total Net Assets - Governmental Activities		<u>\$ 12,151,650</u>
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The notes to the financial statements are an integral part of this statement.

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	Major Funds							Total Governmental Funds
	General	Swan Creek Maint.	Drain #14	Drain #56	Capital Project Funds	Debt Service Funds	Other Governmental Funds	
<u>Revenues:</u>								
Taxes	\$ 129,015	\$ 113,678	\$ -	\$ 17,992	-	\$ -	\$ 62,617	\$ 323,302
Special Assessments	-	-	-	-	-	188,148	-	188,148
Intergovernmental	27,874	71,480	272,163	76,416	-	-	2,810	450,742
Interest Income	1,464	-	-	-	5	151	1,206	2,826
Miscellaneous	19,558	-	56	-	80,000	-	420	100,034
<b>Total Revenues</b>	<b>\$ 177,911</b>	<b>\$ 185,158</b>	<b>\$ 272,219</b>	<b>\$ 94,407</b>	<b>\$ 80,005</b>	<b>\$ 188,299</b>	<b>\$ 67,054</b>	<b>\$ 1,065,053</b>
<u>Expenditures:</u>								
Current:								
Conser. of Natural Resources	\$ 253,787	\$ 36,370	\$ 25,793	\$ 7,284	\$ -	\$ -	\$ 153,475	\$ 476,709
Capital Outlay	-	362,989	3,922	-	42,840	-	7,125	416,875
Debt Service:								
Principal	-	-	-	-	-	168,333	-	168,333
Interest	-	-	-	-	-	26,046	-	26,046
Service Fees	-	-	-	-	-	930	-	930
<b>Total Expenditures</b>	<b>\$ 253,787</b>	<b>\$ 399,358</b>	<b>\$ 29,715</b>	<b>\$ 7,284</b>	<b>\$ 42,840</b>	<b>\$ 195,309</b>	<b>\$ 160,600</b>	<b>\$ 1,088,893</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (75,876)	\$ (214,200)	\$ 242,504	\$ 87,123	\$ 37,165	\$ (7,010)	\$ (93,546)	\$ (23,840)
Fund Balance - January 1	\$ 250,005	\$ (137,245)	\$ (165,409)	\$ (66,721)	\$ -	\$ 75,397	\$ 166,296	\$ 122,322
Fund Balance - December 31	\$ 174,129	\$ (351,445)	\$ 77,095	\$ 20,402	\$ 37,165	\$ 68,387	\$ 72,750	\$ 98,482

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

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MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011

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Net Change in *Fund Balances* - Total Governmental Funds \$ (23,840)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Capital Asset Additions	\$ 11,578	
Current Year Depreciation Expense	<u>(332,162)</u>	(320,584)

The proceeds of debt issuances provide current financial resources of governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of debt repayment.

Repayment of Debt	168,333
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Collections on uncertified special assessments is a revenue in the governmental funds, but the collection reduces the long-term receivable in the statement of net assets. This is the amount of receivable collection. Issuance of uncertified special assessments increases a long-term receivable via a capital grant/contribution. The issuance of long-term special assessments are not reported in the funds as the assets are not available soon enough after year-end to pay current period expenditures.

Collection on Long-Term Receivable	(25,483)
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase in Compensated Abscences	\$ (1,531)	
Amortization of Bond Discount	(940)	
Amortization of Bond Issuance Costs	(1,973)	
Net Decrease in Interest Payable	<u>1,415</u>	(3,029)

Some revenues reported on the statement of activities are not reported as revenues in the governmental funds since they do not represent available resources to pay current expenditures. This consists of the decrease in taxes and special assessments receivable.

(350)

Change in Net Assets of Governmental Activities	<u>\$ (204,953)</u>
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The notes to the financial statements are an integral part of this statement.

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MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Maple River Water Resource District, West Fargo, North Dakota, a component unit of Cass County, 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 Maple River Water Resource District, a component of Cass County, Fargo, North Dakota. The district has considered all potential component units for which the water resource district is financially accountable and other organizations for which the nature and significance of their relationships with the water resource district such that exclusion would cause the water resource district's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Maple River Water Resource District 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 Maple River Water Resource District.

Based on these criteria, there are no component units to be included within the Maple River Water Resource District as a reporting entity. Maple River Water Resource District is a component unit within Cass County, Fargo, North Dakota reporting entity.

B. Basis of Presentation

*Government-wide statements:* The statement of net assets and the statement of activities display information about the primary government, Maple River Water Resource District. 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, special assessments and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District'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 not classified as program revenues, including general taxes and interest, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the District's funds. Separate statements for each fund category-governmental—is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Water Resource District reports the following major governmental funds:

*General Fund (including Maple River WRD Obligated Funds)* - this is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The obligated funds are used to account for the accumulation of resources to help finance a portion of costs of the Maple River Dam. Most of the joint project costs are being paid by the Southeast Cass Water Resource District.

*Drain #14M (Maintenance)* – this fund is used to account for necessary drain maintenance and improvements. Special assessments are levied to tax payers in the applicable drain district and used for drain maintenance and improvement projects. The major source of revenue is a restricted tax levy.

*Drain #56M (Maintenance)* – this fund is used to account for necessary drain maintenance and improvements. Special assessments are levied to tax payers in the applicable drain district and used for drain maintenance and improvement projects. The major source of revenue is a restricted tax levy.

*Swan Creek Maintenance* – this fund is used to account for necessary creek maintenance and improvements. Special assessments are levied to tax payers in the applicable district and used for maintaining a clear creek and for improvement projects when necessary. The major source of revenue is a restricted tax levy.

*Debt Service* – this fund is used to account for the resources accumulated and payments made for principal and interest on special assessment bond debts for Drain #14, Drain #37, Casselton Township Improvement #62, Casselton Township Improvement #64 and Swan Creek.

*Capital Project Funds* – this fund was used to account for the possible construction of a drain in Normanna Township, and construction of a drain in Pontiac Township.

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

*Government-wide Financial Statements.* The government-wide fund 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 District 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 District 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 general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District 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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

All governmental funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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. Capital Assets

Capital assets, which include land and infrastructure assets (drains, dams, channel improvements, etc.), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets in governmental funds is not capitalized.

Infrastructure capital assets are depreciated using the straight-line method of the following estimated useful lives:

Infrastructure Assets:	Years
Facilities	50 years
Major Projects	50 years

F. Compensated Absences

Vested or accumulated vacation leave is payable to the Secretary/Treasurer and Accounting Tech / Administrative Assistant upon separation from employment. 240 hours of vacation may be carried over at year-end. No liability is reported for accumulated sick leave as it is not the employer's policy to pay for it when the employee separates from service. All vacation pay is accrued when incurred into the government-wide financial statements.

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Balances / Net Assets Equity

Prior to GASB Statement No. 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

***Fund Balance Spending Policy:***

It is the policy of Maple River Water Resource District to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

***GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions***

On March 11, 2009 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal periods that begin after June 15, 2010. This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the governing board. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance	Available for any remaining general fund expenditure.

Maple River Water Resource District only has restricted, committed and unassigned fund balances at December 31, 2011.

Restricted & Committed Fund Balances – consist of the following items at December 31, 2011:

Restricted fund balances are shown by primary function on the balance sheet for conservation of natural resources, debt service and capital outlay. Restricted fund balances are restricted by enabling legislation (primarily state law for tax levies) and by outside 3<sup>rd</sup> parties (State & Federal governments).

Committed fund balance exists in the general function and is committed by the highest level of decision making authority (governing board).

Special Revenue Funds – Restricted & Committed Fund Balances:

- (a) Restricted by specified tax levies and/or restricted Federal & State grants/reimbursements:
- Restricted tax levies – includes fund balances for various tax levies other than the general fund.
  - Restricted grants/reimbursements – primarily includes state water commission funds and other grant funds.
- (b) Committed funds by the governing board – funds are committed by the governing board (highest level of decision making authority) in the General Funds for Rush River Obligated Funds for pending projects, project development and other projects that do not have restricted funds.

**Net Assets Equity:**

When both restricted and unrestricted resources are available for use, it is the Water Resource District's policy to use restricted resources first, then unrestricted resources as they are needed.

Restrictions of net assets equity shown in the net assets statement are due to restricted tax levies and restricted Federal & State grants/reimbursements.

Net assets equity in the statement of net assets is shown by primary function (as fund balance are shown) and is restricted for construction, maintenance, bridge replacement and repair, flood repair, health & welfare, emergencies and other purposes.

**I. 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 transactions, except reimbursements, are reported as transfers. In the government-wide financial statements, interfund transactions have been eliminated.

**NOTE 2: DISTRICT ESTABLISHMENT**

The legislature of the State of North Dakota abolished, effective July 1, 1981, the Cass County Drain Board that had authority over the legal drains in the county. The administrative and financial responsibilities were transferred to individual water resource boards. Since there were special assessment districts established and legal drains constructed in and through more than one water resource district, it was determined that it would be too cumbersome and expensive to administer and account for the finances of the legal drains based on the portion or part of tracts of land contained in the individual districts. An agreement was entered into dated May 27, 1982 between the North Cass, Southeast Cass, Rush River, and Maple River Water Resource Boards to set out the administrative and financial responsibilities that each of the water resource boards shall exercise over certain overlapping legal drains as follows:

- Maple River shall have administrative and financial control over legal drains #14, 35 and 36.
- Rush River shall have administrative and financial control over legal drains #29 and 52.
- North Cass shall have administrative and financial control over legal drain #13 with the following exceptions:
  - (a) Any maintenance expenditure for a sum of \$5,000 or more shall not be undertaken except with the consultation and expressed consent of the Rush River Water Resource Board.
  - (b) Any extension or additions to the drain shall not be undertaken except with the consultation and expressed consent of the Rush River Water Resource Board.
  - (c) No change in the legal status of the drain shall be undertaken except with the consultation and expressed consent of the Rush River Water Resource Board.

In the event of a termination, all funds deposited with the water resource board having administrative and financial control over legal drains shall be divided with respect to such legal drain among the water resource boards in whose district the special assessment district is located and shall be divided in such proportion as the physical area of the special assessment district located in each water resource district bears to the total area of such special assessment district.

**NOTE 3: DEPOSITS**

In accordance with North Dakota Statutes, the Maple River Water Resource District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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.

**MAPLE RIVER WATER RESOURCE DISTRICT**  
Notes to the Financial Statements – Continued

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At year ended December 31, 2011, the water resource district's carrying amount of deposits was \$162,793 and the bank balance was \$185,357, all of which 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.

Credit Risk:

The water resource district may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2011, the water resource district did not have any certificates of deposit.

Concentration of Credit Risk:

The water resource district does not have a limit on the amount it may invest in any one issuer.

**NOTE 4: TAXES AND SPECIAL ASSESSMENTS RECEIVABLE**

Taxes and special assessments receivable represent the past four years of delinquent uncollected taxes and special assessments levies/billings. No allowance has been established for uncollectible taxes and special assessments receivable since any losses would be covered by the sale of the property.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all of the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

**NOTE 5: DUE FROM COUNTY**

The due from county represents tax amounts collected prior to year-end by Cass County not distributed to the district at year-end.

**NOTE 6: UNCERTIFIED SPECIAL ASSESSMENTS RECEIVABLE**

This represents a long-term receivable in the government-wide financial statements showing the amount of uncertified/uncollected debt service fund special assessments over the remaining life of applicable special assessment bonds.

**MAPLE RIVER WATER RESOURCE DISTRICT**  
Notes to the Financial Statements – Continued

**NOTE 7: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2011:

<b>Governmental Activities:</b>	<b>Balance January 1</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance December 31</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,868,306	\$ -	\$ -	\$ 1,868,306
Construction in Progress	494,103	11,578	-	505,682
<b>Total Capital Assets, not being depreciated</b>	<b>\$ 2,362,409</b>	<b>\$ 11,578</b>	<b>\$ -</b>	<b>\$ 2,373,988</b>
<i>Capital assets being depreciated:</i>				
Facilities	\$10,550,637	\$ -	\$ -	\$10,550,637
Projects	6,657,469	-	-	6,657,469
<b>Total Capital Assets, Being Depreciated</b>	<b>\$17,208,106</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$17,208,106</b>
<i>Less Accumulated Depreciation for:</i>				
Facilities	\$ 6,483,425	\$199,013	\$ -	\$ 6,682,438
Projects	326,382	133,149	-	459,531
<b>Total Accumulated Depreciation</b>	<b>\$ 6,809,807</b>	<b>\$332,162</b>	<b>\$ -</b>	<b>\$ 7,141,969</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$10,398,299</b>	<b>\$332,162</b>	<b>\$ -</b>	<b>\$10,066,137</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$12,760,708</b>	<b>\$320,584</b>	<b>\$ -</b>	<b>\$12,440,124</b>

**NOTE 8: ACCOUNTS AND RETAINAGES PAYABLE**

Accounts payable consists of amounts owed for goods or services received prior to year-end and chargeable to the appropriations for the year then ended but paid subsequent to that date. Retainages payable consists of amounts owed to contractors on open construction contracts for Drain #14 Project not yet completed at year-end.

**NOTE 9: BENEFITS PAYABLE**

Benefits payable represents the amount payable for benefits withheld at year-end.

**NOTE 10: DUE TO OTHER FUNDS & DUE FROM OTHER FUNDS**

Due to and due from other funds on the governmental funds modified accrual balance sheet represents the amount of pooled cash borrowed by major funds Swan Creek Maintenance, Drain #56, and other non-major funds totaling \$454,322 covered by major fund General, Drain #14, Debt Service Funds and other non-major funds.

**NOTE 11: DEFERRED REVENUES**

Deferred revenues consist of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. The amount in the governmental fund statements represents the levied, but uncollected, taxes and special assessments receivable.

**NOTE 12: INTEREST PAYABLE**

Interest payable represents the amount payable on all special assessment bond interest at year-end.

**MAPLE RIVER WATER RESOURCE DISTRICT**  
Notes to the Financial Statements – Continued

**NOTE 13: LONG-TERM DEBT**

**Changes in Long-Term Liabilities** - During the year ended December 31, 2011, the following changes occurred in liabilities reported in long-term liabilities:

	<b>Balance 1-1-11</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-11</b>	<b>Due Within One Year</b>
Bonds Payable	\$626,667	\$ -	\$(153,333)	\$473,333	\$153,333
Less: Bond Discount	2,663	-	940	1,723	940
Less: Bond Issuance Cost	6,424	-	1,973	4,451	1,973
<b>Total Bonds Payable</b>	<b>\$617,580</b>	<b>\$ -</b>	<b>\$(150,420)</b>	<b>\$467,159</b>	<b>\$150,420</b>
Loan Payable	\$150,000	\$ -	\$(15,000)	\$135,000	\$ 15,000
Compensated Absences	2,471	2,804	(1,273)	4,002	4,002
<b>TOTAL</b>	<b>\$770,050</b>	<b>\$2,804</b>	<b>\$(166,693)</b>	<b>\$606,161</b>	<b>\$169,422</b>

Long-term debt at December 31, 2011 is comprised of the following:

**Special Assessment Bonds:**

\$228,000 Improvement Bonds of 2005, due in annual installments of \$15,000 to \$16,000 through 2019; interest at 4.9%.	\$125,000
\$375,000 Improvement Bonds of 2009, due in annual installments of \$105,000 to \$110,000 through 2013; interest at 1.25% to 2.25%	215,000
\$200,000 Improvement Bonds of 2009, due in annual installments of \$33,333 through 2015; interest at 4.65%	<u>133,333</u>
<b>Total Bonds Payable</b>	<b><u>\$473,333</u></b>

**Loans Payable**

\$225,000 2005 State Bank & Trust Loan, due in annual installments of \$15,000 through 2020; interest at 5.25%.	<u>\$135,000</u>
<b>Total Gross Long-Term Debt (excluding Compensated Absences)</b>	<b><u>\$608,333</u></b>

Debt service requirements on long-term debt, excluding compensated absences, at December 31, 2011 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Year Ending December 31</b>	<b>SA Bonds Payable</b>		<b>Loan Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 153,333	\$ 14,576	\$ 15,000	\$ 6,695
2013	158,333	10,135	15,000	5,900
2014	48,333	6,613	15,000	5,116
2015	49,333	4,303	15,000	4,328
2016	64,000	6,272	75,000	9,830
<b>TOTALS</b>	<b>\$ 473,333</b>	<b>\$ 41,899</b>	<b>\$ 135,000</b>	<b>\$ 31,869</b>

**MAPLE RIVER WATER RESOURCE DISTRICT**  
Notes to the Financial Statements – Continued

**NOTE 14: JOINT VENTURES**

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

The following is a summary of financial information on the joint venture as of and for the year ended December 31, 2011, which is the most current audited information available:

Total Assets	\$4,972,670
Total Liabilities	<u>447,210</u>
Total Equity	<u>\$4,525,460</u>
Revenues	1,440,397
Expenses	<u>897,230</u>
Change in Net Assets	<u>\$ 543,167</u>

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

**NOTE 15: DEFICIT CASH FUND BALANCES**

The water resource district had the following deficit cash fund balances at December 31, 2011:

Funds	Amounts
<u>Special Revenue Funds:</u>	
Swan Creek Maintenance	\$ (350,251)
Drain #56	(55,172)
Drain #34	(13,559)
Drain #39	(7,037)
Drain #58	(4,397)
Casselton Township Imp Dist. #62M	(23,926)

The water resource district anticipates eliminating the deficits by reducing future disbursements in these funds, by issuing debt or transferring monies to relieve the deficits.

**NOTE 16: RISK MANAGEMENT**

Maple River Water Resource District 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.

**MAPLE RIVER WATER RESOURCE DISTRICT**

Notes to the Financial Statements – Continued

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The Maple River Water Resource District is covered under Cass County’s insurance policies and pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence.

The State Bonding Fund currently provides the Maple River Water Resource District with blanket fidelity bond coverage in the amount of \$250,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Maple River Water Resource District has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

**NOTE 17: CONSTRUCTION COMMITMENTS**

The Maple River Water Resource District has the following open construction contracts with balances owing at December 31, 2011:

Location	Project	Contract Amount	Total Completed	Retainage	Remaining Balance
Drain #14	Repairs & Improvement	\$398,947	\$378,545	\$15,000	\$35,402

**NOTE 18: LEGAL COMPLIANCE - BUDGETS**

BUDGET AMENDMENTS

The board of water resource district commissioners amended the water resource district budget for 2011 as follows:

Fund	REVENUES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$140,660	\$ 28,600	\$169,260
Swan Creek	113,565	70,775	184,340
Drain #14	117,880	153,875	271,755
Drain #56	17,990	(265)	17,725
Capital Project Funds	-	80,000	80,000
<u>Non Major Funds:</u>			
Cass-Richland Drain #1	-	200	200
Drain #15	-	165	165
Drain #34	14,135	1,370	15,505
Drain #36	-	80	80
Drain #37	31,240	(30,380)	860
Drain #39	21,345	(2,310)	19,035
Drain #46	-	475	475
Drain #54	15	-	15
Drain #58	10,180	200	10,380
Drain #59	-	40	40
Casselton Twp Imp. Dist. No. 62 Maint.	4,860	(135)	4,725
Casselton Twp Imp. Dist. No. 64 Maint.	12,500	90	12,590

**MAPLE RIVER WATER RESOURCE DISTRICT**  
Notes to the Financial Statements – Continued

Fund	EXPENDITURES		
	Original Budget	Amendment	Amended Budget
<u>Major Funds:</u>			
General Fund	\$141,755	\$ 88,029	\$229,784
Swan Creek	125,000	272,325	397,325
Drain #14	117,880	(85,360)	32,520
Drain #56	2,000	4,160	6,160
Capital Project Funds	-	40,145	40,145
Debt Service Funds	194,385	930	195,315
<u>Non Major Funds:</u>			
Cass-Richland Drain #1	5,000	5,260	10,260
Drain #15	2,000	3,440	5,440
Drain #34	2,000	7,645	9,645
Drain #36	2,000	3,620	5,620
Drain #37	31,240	(12,730)	18,510
Drain #39	2,000	9,695	11,695
Drain #46	5,000	(760)	4,240
Drain #54	2,000	275	2,275
Drain #58	2,000	11,150	13,150
Drain #59	2,000	4,675	6,675
Casselton Twp Imp. Dist. No. 62 Maint.	2,000	(1,230)	770
Casselton Twp Imp. Dist. No. 64 Maint.	2,000	(1,720)	280

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 127,260	\$ 128,990	\$ 129,015	\$ 25
Intergovernmental	11,645	19,250	27,874	8,624
Interest Income	5,000	1,460	1,464	4
Miscellaneous	-	19,560	19,558	(2)
<b>Total Revenues</b>	<b>\$ 143,905</b>	<b>\$ 169,260</b>	<b>\$ 177,911</b>	<b>\$ 8,651</b>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 192,605	\$ 229,784	\$ 253,787	\$ (24,003)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (48,700)</b>	<b>\$ (60,524)</b>	<b>\$ (75,876)</b>	<b>\$ (15,352)</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 53,295	\$ 53,295	\$ -	\$ (53,295)
Transfers Out	(53,295)	(53,295)	-	53,295
<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Changes in Fund Balances</b>	<b>\$ (48,700)</b>	<b>\$ (60,524)</b>	<b>\$ (75,876)</b>	<b>\$ (15,352)</b>
Fund Balance - January 1	\$ 250,005	\$ 250,005	\$ 250,005	\$ -
<b>Fund Balance - December 31</b>	<b>\$ 201,305</b>	<b>\$ 189,481</b>	<b>\$ 174,129</b>	<b>\$ (15,352)</b>

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

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SWAN CREEK MAINTENANCE FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 113,565	\$ 184,340	\$ 113,678	\$ (70,662)
Intergovernmental	-	-	71,480	71,480
Total Revenues	<u>\$ 113,565</u>	<u>\$ 184,340</u>	<u>\$ 185,158</u>	<u>\$ 818</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 125,000	\$ 397,325	\$ 36,370	\$ 360,955
Capital Outlay	-	-	362,989	(362,989)
Total Expenditures	<u>\$ 125,000</u>	<u>\$ 397,325</u>	<u>\$ 399,358</u>	<u>\$ (2,033)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,435)</u>	<u>\$ (212,985)</u>	<u>\$ (214,200)</u>	<u>\$ (1,215)</u>
Fund Balance - January 1	<u>\$ (137,245)</u>	<u>\$ (137,245)</u>	<u>\$ (137,245)</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ (148,680)</u>	<u>\$ (350,230)</u>	<u>\$ (351,445)</u>	<u>\$ (1,215)</u>

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

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
DRAIN #14 FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 117,880	\$ 271,755	\$ -	\$ (271,755)
Intergovernmental	-	-	272,163	272,163
Miscellaneous	-	-	56	56
<b>Total Revenues</b>	<b>\$ 117,880</b>	<b>\$ 271,755</b>	<b>\$ 272,219</b>	<b>\$ 464</b>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 117,880	\$ 24,820	\$ 25,793	\$ (973)
Capital Outlay	-	7,700	3,922	3,778
<b>Total Expenditures</b>	<b>\$ 117,880</b>	<b>\$ 32,520</b>	<b>\$ 29,715</b>	<b>\$ 2,805</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ 239,235	\$ 242,504	\$ 3,269
Net Changes in Fund Balances	\$ -	\$ 239,235	\$ 242,504	\$ 3,269
Fund Balance - January 1	\$ (165,409)	\$ (165,409)	\$ (165,409)	\$ -
Fund Balance - December 31	\$ (165,409)	\$ 73,826	\$ 77,095	\$ 3,269

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

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
DRAIN #56 FUND  
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 17,990	\$ 17,725	\$ 17,992	\$ 267
Intergovernmental	-	-	76,416	76,416
Total Revenues	<u>\$ 17,990</u>	<u>\$ 17,725</u>	<u>\$ 94,407</u>	<u>\$ 76,682</u>
<u>Expenditures:</u>				
Current:				
Conservation of Natural Resources	\$ 2,000	\$ 6,160	\$ 7,284	\$ (1,124)
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 15,990</u>	<u>\$ 11,565</u>	<u>\$ 87,123</u>	<u>\$ 75,558</u>
Fund Balance - January 1	<u>\$ (66,721)</u>	<u>\$ (66,721)</u>	<u>\$ (66,721)</u>	<u>\$ -</u>
Fund Balance - December 31	<u>\$ (50,731)</u>	<u>\$ (55,156)</u>	<u>\$ 20,402</u>	<u>\$ 75,558</u>

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

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MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2011

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

Budgetary Information:

- The water resource board adopts an “appropriated budget” on a basis consistent with accounting principles generally accepted in the United States (GAAP) for the general fund, each special revenue fund and debt service fund of the district.
- The budget includes proposed expenditures and means of financing them.
- The water resource district holds a public hearing where any taxpayer may appear and shall be heard in favor of or against any proposed disbursements or tax levies. When the hearing shall have been concluded, the board shall adopt such estimate as finally is determined upon. All taxes shall be levied in specific amounts and shall not exceed the amount specified in the published estimates. NDCC 11-23-04
- The water resource board, on or before the October meeting shall determine the amount of taxes that shall be levied for county purposes and shall levy all such taxes in specific amounts. NDCC 11-23-05
- The water resource board must file the budget with the county auditor by October 10th.
- Each budget is controlled by the water resource district secretary/treasurer at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared. NDCC 57-15-31.1
- All appropriations lapse at year-end.

**NOTE 2: EXPENDITURES IN EXCESS OF BUDGET**

During fiscal year 2011, the Maple River Water Resource District had the following fund expenditures in excess of budgeted amounts:

	Budget	Actual	Excess
General Fund	\$229,784	\$253,787	\$(24,003)
<u>Special Revenue Funds:</u>			
Swan Creek Maintenance	397,325	399,358	(2,033)
Drain #56	6,160	7,284	(1,124)

No remedial action is anticipated or required regarding these excess expenditures.

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	Drain CR #1M	Drain #15	Drain #34	Drain #36	Drain #37	Drain #39	Drain #46	Drain #54
<u>ASSETS</u>								
Cash and Cash Equivalents	\$ 30,906	\$ 30,087	\$ -	\$ 14,926	\$ -	\$ -	\$ 19,740	\$ 1,015
Taxes Receivable	-	-	128	-	138	16	-	-
Intergovernmental Receivable	-	-	2,810	-	-	-	-	-
Due from Other Funds	-	-	-	-	63,056	-	11,990	-
Total Assets	<u>\$ 30,906</u>	<u>\$ 30,087</u>	<u>\$ 2,938</u>	<u>\$ 14,926</u>	<u>\$ 63,194</u>	<u>\$ 16</u>	<u>\$ 31,730</u>	<u>\$ 1,015</u>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities:</u>								
Accounts Payable	\$ 17	\$ 41,218	\$ 470	\$ 417	\$ 2,096	\$ 4,332	\$ 48	\$ 10
Due to Other Funds	-	-	13,559	-	-	7,037	-	-
Deferred Revenue	-	-	128	-	138	16	-	-
Total Liabilities	<u>\$ 17</u>	<u>\$ 41,218</u>	<u>\$ 14,157</u>	<u>\$ 417</u>	<u>\$ 2,234</u>	<u>\$ 11,385</u>	<u>\$ 48</u>	<u>\$ 10</u>
<u>Fund Balances:</u>								
Restricted	\$ -	\$ -	\$ -	\$ 14,508	\$ 60,960	\$ -	\$ 31,683	\$ 1,004
Unassigned	30,889	(11,131)	(11,219)	-	-	(11,369)	-	-
Total Fund Balances	<u>\$ 30,889</u>	<u>\$ (11,131)</u>	<u>\$ (11,219)</u>	<u>\$ 14,508</u>	<u>\$ 60,960</u>	<u>\$ (11,369)</u>	<u>\$ 31,683</u>	<u>\$ 1,004</u>
Total Liabilities and Fund Balances	<u>\$ 30,906</u>	<u>\$ 30,087</u>	<u>\$ 2,938</u>	<u>\$ 14,926</u>	<u>\$ 63,194</u>	<u>\$ 16</u>	<u>\$ 31,730</u>	<u>\$ 1,015</u>

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Drain #58	Drain #59	Casselton Township Imp. #62M	Casselton Township Imp. #64M	Total Nonmajor Governmental Funds
\$ -	\$ 3,030	\$ -	\$ 23,228	\$ 122,932
8	-	-	55	345
-	-	-	-	2,810
-	-	-	-	75,046
<u>\$ 8</u>	<u>\$ 3,030</u>	<u>\$ -</u>	<u>\$ 23,284</u>	<u>\$ 201,134</u>

\$ 368	\$ 11,648	\$ 18,492	\$ 3	\$ 79,120
4,397	-	23,926	-	48,919
8	-	-	55	345
<u>\$ 4,773</u>	<u>\$ 11,648</u>	<u>\$ 42,418</u>	<u>\$ 59</u>	<u>\$ 128,384</u>

\$ -	\$ -	\$ -	\$ 23,225	\$ 131,380
(4,765)	(8,618)	(42,418)	-	(58,631)
<u>\$ (4,765)</u>	<u>\$ (8,618)</u>	<u>\$ (42,418)</u>	<u>\$ 23,225</u>	<u>\$ 72,749</u>
<u>\$ 8</u>	<u>\$ 3,030</u>	<u>\$ -</u>	<u>\$ 23,284</u>	<u>\$ 201,134</u>

MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2011

	Drain CR #1M	Drain #15	Drain #34	Drain #36	Drain #37	Drain #39	Drain #46
<u>Revenues:</u>							
Taxes	\$ -	\$ -	\$ 15,550	\$ -	\$ -	\$ 19,047	\$ 312
Intergovernmental	-	-	2,810	-	-	-	-
Interest Income	197	164	-	80	439	-	163
Miscellaneous	-	-	-	-	420	-	-
<b>Total Revenues</b>	<b>\$ 197</b>	<b>\$ 164</b>	<b>\$ 18,361</b>	<b>\$ 80</b>	<b>\$ 859</b>	<b>\$ 19,047</b>	<b>\$ 475</b>
<u>Expenditures:</u>							
Current:							
Conservation of Natural Resources	\$ 10,212	\$ 45,873	\$ 7,027	\$ 2,098	\$ 18,479	\$ 15,799	\$ 3,409
Capital Outlay	-	180	2,495	-	1,875	-	-
<b>Total Expenditures</b>	<b>\$ 10,212</b>	<b>\$ 46,053</b>	<b>\$ 9,522</b>	<b>\$ 2,098</b>	<b>\$ 20,354</b>	<b>\$ 15,799</b>	<b>\$ 3,409</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (10,015)	\$ (45,889)	\$ 8,839	\$ (2,017)	\$ (19,495)	\$ 3,247	\$ (2,933)
<b>Net Change in Fund Balances</b>	<b>\$ (10,015)</b>	<b>\$ (45,889)</b>	<b>\$ 8,839</b>	<b>\$ (2,017)</b>	<b>\$ (19,495)</b>	<b>\$ 3,247</b>	<b>\$ (2,933)</b>
Fund Balance - January 1	\$ 40,904	\$ 34,757	\$ (20,058)	\$ 16,526	\$ 80,455	\$ (14,617)	\$ 34,617
<b>Fund Balance - December 31</b>	<b>\$ 30,889</b>	<b>\$ (11,132)</b>	<b>\$ (11,219)</b>	<b>\$ 14,509</b>	<b>\$ 60,960</b>	<b>\$ (11,370)</b>	<b>\$ 31,684</b>

Drain #54	Drain #58	Drain #59	Casselton Twp. Imp. Dist. #62M	Casselton Twp. Imp. Dist. #64M	Total Nonmajor Governmental Funds
\$ -	\$ 10,364	\$ -	\$ 4,845	\$ 12,498	\$ 62,617
-	-	-	-	-	2,810
14	16	41	-	92	1,206
-	-	-	-	-	420
<u>\$ 14</u>	<u>\$ 10,381</u>	<u>\$ 41</u>	<u>\$ 4,845</u>	<u>\$ 12,590</u>	<u>\$ 67,054</u>
\$ 2,198	\$ 10,487	\$ 18,228	\$ 19,382	\$ 284	\$ 153,475
-	2,575	-	-	-	7,125
<u>\$ 2,198</u>	<u>\$ 13,062</u>	<u>\$ 18,228</u>	<u>\$ 19,382</u>	<u>\$ 284</u>	<u>\$ 160,600</u>
<u>\$ (2,184)</u>	<u>\$ (2,681)</u>	<u>\$ (18,187)</u>	<u>\$ (14,537)</u>	<u>\$ 12,307</u>	<u>\$ (93,546)</u>
<u>\$ (2,184)</u>	<u>\$ (2,681)</u>	<u>\$ (18,187)</u>	<u>\$ (14,537)</u>	<u>\$ 12,307</u>	<u>\$ (93,546)</u>
<u>\$ 3,189</u>	<u>\$ (2,084)</u>	<u>\$ 9,569</u>	<u>\$ (27,880)</u>	<u>\$ 10,918</u>	<u>\$ 166,296</u>
<u>\$ 1,005</u>	<u>\$ (4,765)</u>	<u>\$ (8,618)</u>	<u>\$ (42,417)</u>	<u>\$ 23,225</u>	<u>\$ 72,750</u>

STATE AUDITOR

ROBERT R. PETERSON  
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Local Government Division:  
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MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

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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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Governing Board  
Maple River Water Resource District  
West Fargo, North Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Maple River Water Resource District, West Fargo, North Dakota, a component unit of Cass County, Fargo, North Dakota, as of and for the year ended December 31, 2011, which collectively comprise Maple River Water Resource District's basic financial statements and have issued our report thereon dated June 20, 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**

Management of the Maple River Water Resource District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Maple River Water Resource 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 an opinion on the effectiveness of Maple River Water Resource District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maple River Water Resource District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified a deficiency in internal control over financial reporting, described in the accompanying *schedule of findings and questioned costs* as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

**Compliance and Other Matters**

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

We noted one matter that we reported to management of Maple River Water Resource District in a separate letter dated June 20, 2012.

Maple River Water Resource District's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. We did not audit Maple River Water Resource District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Governing Board, and others within the district, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson  
State Auditor

June 20, 2012

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MAPLE RIVER WATER RESOURCE DISTRICT  
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2011

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of Auditor's Report Issued?

Governmental Activities	Unqualified
Major Governmental Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal Control Over Financial Reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Section II - Financial Statement Findings**

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**2011-01 – LACK OF SEGREGATION OF DUTIES**

**Condition:**

The Maple River Water Resource District has one secretary/treasurer and one accountant responsible for the primary accounting functions. A lack of segregation of duties exists as two employees are responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and perform bank reconciliations.

**Criteria:**

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel so duties of employees are properly segregated. The segregation of duties would provide better control over assets of the water resource district.

**Effect:**

The lack of segregation of duties increases the risk of fraud and the risk of misstatement of the water resource district's financial condition.

**Recommendation:**

Due to the size, complexity and the economic realities of the water resource district, it is presently not feasible to obtain proper separation of duties. We recommend that if it becomes feasible to segregate duties in the future, that duties are segregated to the extent possible to reduce the potential risk of loss.

**Views of Responsible Officials:**

We agree that a lack of segregation of duties exists and if the board does hire more administration that duties will be further segregated to the extent possible. We understand that this will be a repeated recommendation due to the limited number of staff employed by the Water Resource District.