



SOUTH DAKOTA  
DEPARTMENT  
OF PUBLIC SAFETY

prevention — protection — enforcement

EMERGENCY MANAGEMENT

November 25, 2025

West River Electric  
Robert Raker  
PO Box 412  
Wall, SD 57790-0412

Dear Mr. Raker:

The Department of Public Safety has received a copy of your audit report for the year ending in December 2024 which included three audit findings pertinent to the Hazard Mitigation Grant Program administered through our department. OMB Uniform Guidance 2 CFR §200.521 requires that we must issue a management decision within 6 months of acceptance of the audit report.

On October 27, 2025, I met with Robert Raker, CEO/General Manager, and Dawn Hilgenkamp, CFO/Manager of Finance, to review the audit findings and discuss the proposed corrective actions. Based on our conversation, I am confident that the corrective measures outlined will effectively resolve the identified issues and establish robust standard operating procedures to ensure compliance with future federal grant awards.

Finding 2024-001: The Cooperative does not have an internal control system designed to provide for the preparation of the full disclosure financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Management of West River Electric has decided to rely on and accept the risk of Eide Bailly completing the Schedule of Expenditures of Federal Awards (SEFA). Members of management has been designated to review the drafted financial statements and accompanying notes.

Finding 2024-002: Material expenditures were claimed for reimbursement with no documented formal review and approval.

Management stated they will continue to have the approvals of material expenditures happen at the requisition level when the materials are ordered. If they must use material from our internal inventory stock, they will use a material charge out sheet that will provide the following information: work order number of project, name of work order, date, material item number (SBR#), quantity, charged by, approved by and posted by. This charge out sheet will then be posted in our IVUE system, and the paper copy will be scanned into vault for documentation. This same procedure will be used for salvage and credit material.

For cash management, they will send the final summarized report to the Operations Manager for approval before it is sent to FEMA.

Finding 2024-003: In two of three quarterly performance reports tested, the Association improperly overstated expenditures incurred to date.

Management stated the Business Development Manager will run the Work Order Analysis report in the IVUE software to provide him with the information to fill out the progress report. The analysis report will list in detail the transactions that have been posted to the work order as of the day the report was run. This report will be attached to the progress report and filed for documentation.

Our office notified FEMA of this single audit finding since it involved federal funding from their program. FEMA has determined no funding needs to be returned.

Based on our review, it appears you have implemented best practices to address the audit findings and therefore we consider this issue to be resolved. If in the future, you decide to change your procedure, please provide us with a copy for our review.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jim Poppen", with a horizontal line drawn underneath it.

Jim Poppen  
Mitigation Branch Chief



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE, SD 57501-5070  
(605) 773-3595

RUSSELL A. OLSON  
AUDITOR GENERAL

Date: October 17, 2025

To: SD Office of Emergency Management  
SD State Board of Internal Control

Re: Audit Report on – West River Electric Association, Inc.  
As of and for the year ended December 31, 2024  
By: Eide Bailly, LLP, CPAs

We have accepted the final report on the audit of the above-named entity conducted under the requirements of OMB Uniform Guidance.

OMB Uniform Guidance requires the State of South Dakota, as a direct recipient of federal assistance who provides federal awards to a subrecipient, to:

1. Ensure that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Uniform Guidance for that fiscal year.
2. Ensure that the subrecipient takes timely and appropriate corrective action when the audit report discloses instances of noncompliance with federal laws and regulations.
3. Consider whether this subrecipient audit necessitates adjustment of your program records.

The accompanying audit report is submitted to you to help fulfill these requirements.

The report does identify audit finding(s) and/or questioned cost(s) pertaining to federal award programs administered by your agency/department that are required to be reported in accordance with OMB Uniform Guidance, §200.516(a). Reference to these findings are on page 8 of the federal grant section of this audit report with the finding(s) on pages 9-11 of the federal grant section of this audit report.

Please contact us if you have any questions.

Sincerely,

Russell A. Olson  
Auditor General

RAO:sld

Enclosure



Financial Statements

December 31, 2024 and 2023

**West River Electric Association, Inc.**

# West River Electric Association, Inc.

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December 31, 2024 and 2023

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<u>Name</u>	<u>Position</u>
Andy Moon .....	President
Stan Anders .....	Vice President
Jamie Lewis .....	Secretary
Chuck Sloan .....	Treasurer
Marcia M. Arneson .....	Director
Howard Knuppe .....	Director
Steven Edoff .....	Director
Larry Eisenbraun .....	Director
Sue Peters .....	Director
Peter Blake .....	Director



## Independent Auditor's Report

The Board of Directors  
West River Electric Association, Inc.  
Wall, South Dakota

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of West River Electric Association, Inc., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, patronage capital and other equities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West River Electric Association, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about West River Electric Association, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 2025 on our consideration of West River Electric Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of West River Electric Association, Inc.'s internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West River Electric Association, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
March 12, 2025

## West River Electric Association, Inc.

## Balance Sheets

December 31, 2024 and 2023

	2024	2023
Assets		
Electric Plant		
In service	\$ 184,858,519	\$ 172,283,179
Under construction	13,109,955	12,047,748
Total electric plant	<u>197,968,474</u>	<u>184,330,927</u>
Less accumulated depreciation	<u>55,073,552</u>	<u>52,893,893</u>
Electric plant, net	<u>142,894,922</u>	<u>131,437,034</u>
Other Property and Investments		
Nonutility property, net	117,159	122,018
Investments in associated companies	20,845,990	20,003,711
Restricted investments	625,444	659,944
Operating lease right-of-use asset	10,282	23,522
Restricted cash - revenue deferral	-	1,000,000
Total other property and investments	<u>21,598,875</u>	<u>21,809,195</u>
Current Assets		
Cash and cash equivalents	3,099,583	1,489,336
Accounts receivable, less allowance for credit losses (2024 - \$145,524; 2023 - \$122,204)	5,274,725	4,620,149
Restricted investments	52,500	90,000
Material and supplies	6,150,897	4,752,868
Prepayments	78,441	52,935
Interest receivable	<u>8,023</u>	<u>8,023</u>
Total current assets	<u>14,664,169</u>	<u>11,013,311</u>
Deferred Debits	<u>133,252</u>	<u>76,168</u>
Total assets	<u><u>\$ 179,291,218</u></u>	<u><u>\$ 164,335,708</u></u>

## West River Electric Association, Inc.

## Balance Sheets

December 31, 2024 and 2023

	2024	2023
Equities and Liabilities		
Equities		
Patronage capital	\$ 47,341,886	\$ 44,015,766
Other equities	9,918,019	9,242,897
Total equities	57,259,905	53,258,663
Long-Term Debt, Less Current Maturities	112,061,447	99,513,712
Other Long-Term Liabilities		
Operating lease liability, less current maturities	-	10,326
Postretirement benefits	437,379	395,747
Total other long-term liabilities	437,379	406,073
Current Liabilities		
Current maturities of long-term debt	4,317,000	3,863,000
Current maturities of operating lease liability	10,282	13,196
Line-of-credit	-	1,500,000
Accounts payable	2,285,689	2,116,552
Customer deposits	464,736	466,349
Accrued taxes	1,145,434	1,122,241
Other current liabilities	826,846	703,968
Total current liabilities	9,049,987	9,785,306
Deferred Credits	482,500	1,371,954
Total equities and liabilities	\$ 179,291,218	\$ 164,335,708

## West River Electric Association, Inc.

## Statements of Operations

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Electric	\$ 46,644,141	\$ 43,213,647
Other	312,083	299,426
Total operating revenues	46,956,224	43,513,073
Operating Expenses		
Cost of power	22,749,554	20,882,388
Transmission	138,969	90,630
Distribution - operations	2,893,758	2,632,680
Distribution - maintenance	1,400,714	1,434,747
Customer accounts	1,779,043	1,626,402
Customer service and informational	1,652,740	1,535,311
Administrative and general	3,551,917	3,243,735
Depreciation	5,309,010	4,734,655
Taxes	703,916	678,291
Interest on long - term debt	3,777,411	3,266,569
Other deductions	94,054	88,205
Total operating expenses	44,051,086	40,213,613
Operating Margin Before Capital Credits	2,905,138	3,299,460
Generation and Transmission and Other Capital Credits	1,691,509	2,068,218
Net Operating Margin	4,596,647	5,367,678
Nonoperating Margin		
Interest income	205,459	164,583
Merchandising, net of costs (2024 - \$693,255; 2023 - \$595,962)	32,732	(11,128)
Gain on retirement of general plant	4,894	138,728
Other	103,452	66,053
Total nonoperating margin	346,537	358,236
Net Margin	\$ 4,943,184	\$ 5,725,914

West River Electric Association, Inc.  
Statements of Patronage Capital and Other Equities  
Years Ended December 31, 2024 and 2023

	Patronage Capital			Other Equities	Total
	Assigned	Current Year Margins	Total		
January 1, 2023	\$ 36,211,896	\$ 3,589,725	\$ 39,801,621	\$ 8,633,906	\$ 48,435,527
Patronage retired	(1,265,274)	-	(1,265,274)	362,496	(902,778)
Margins assigned	3,343,230	(3,589,725)	(246,495)	246,495	-
Net margin	-	5,725,914	5,725,914	-	5,725,914
December 31, 2023	38,289,852	5,725,914	44,015,766	9,242,897	53,258,663
Patronage retired	(1,244,660)	-	(1,244,660)	302,718	(941,942)
Margins assigned	5,353,510	(5,725,914)	(372,404)	372,404	-
Net margin	-	4,943,184	4,943,184	-	4,943,184
December 31, 2024	<u>\$ 42,398,702</u>	<u>\$ 4,943,184</u>	<u>\$ 47,341,886</u>	<u>\$ 9,918,019</u>	<u>\$ 57,259,905</u>

# West River Electric Association, Inc.

## Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Net margin	\$ 4,943,184	\$ 5,725,914
Adjustments to reconcile net margin to net cash from operating activities		
Depreciation and amortization	5,836,727	5,248,564
Generation and transmission and other cooperative capital credits:		
Noncash allocations	(1,691,509)	(2,068,218)
Cash received from retirements	848,528	713,243
Change in revenue deferral	(1,000,000)	(1,000,000)
Gain on retirement of general plant	(4,894)	(138,728)
Change in asset and liabilities		
Accounts receivable	(654,576)	235,859
Prepayments	(25,506)	6,547
Deferred debits	(57,084)	12,694
Accounts payable	253,261	(891,996)
Customer deposits	(1,613)	11,513
Accrued taxes	23,193	(19,235)
Other current liabilities	122,878	21,157
Other noncurrent liabilities and deferred credits	152,178	(283,039)
Net Cash from Operating Activities	8,744,767	7,574,275
Investing Activities		
Electric plant additions and replacements, net	(18,103,239)	(17,417,565)
Grant funding received	729,394	-
Payments received on restricted investments - notes receivable	90,000	90,000
Payments for restricted investments	(18,000)	(18,000)
Change in other investments	5,561	5,532
Change in materials and supplies	(1,398,029)	(449,825)
Net Cash used for Investing Activities	(18,694,313)	(17,789,858)
Financing Activities		
Advances on line-of-credit	3,800,000	3,500,000
Principal payments on line-of-credit	(5,300,000)	(2,000,000)
Advances on long-term debt	16,900,000	11,751,037
Principal payments on long-term debt	(3,826,265)	(3,625,375)
Principal payments on USDA Rural Economic Development Loans	(72,000)	(72,000)
Patronage capital retirements	(941,942)	(902,778)
Net Cash from Financing Activities	10,559,793	8,650,884

West River Electric Association, Inc.  
Statements of Cash Flows  
Years Ended December 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	\$ 610,247	\$ (1,564,699)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>2,489,336</u>	<u>4,054,035</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 3,099,583</u>	<u>\$ 2,489,336</u>
Cash and Cash Equivalents	\$ 3,099,583	\$ 1,489,336
Restricted Cash - Revenue Deferral	<u>-</u>	<u>1,000,000</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 3,099,583</u>	<u>\$ 2,489,336</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest on long-term debt	\$ 3,777,411	\$ 3,266,569
Supplemental Disclosure of Non Cash Investing and Financing Activities		
Capital expenditures included in accounts payable	\$ 127,027	\$ 211,151

**Note 1 - Summary of Significant Accounting Policies****General**

West River Electric Association, Inc. (the Association) is organized as a cooperative under South Dakota laws and statutes. The Association's principal line of business is the distribution and sale of electricity to the local residential and business customers residing in the Association's service area.

**Financial Statement Presentation**

The Association is subject to the accounting and reporting rules and regulations of Rural Utilities Service (RUS). The Association follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS. The accounting policies conform to accounting principles generally accepted in the United States of America as applied to regulated electric utilities.

Rates charged to customers are established by the Board of Directors.

**Regulation**

The Association's accounting policies and the accompanying financial statements conform to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

As a result of the ratemaking process, the Association applies Accounting Standards Codification (ASC) 980, *Regulated Operations*. The application of generally accepted accounting principles by the Association differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally relate to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

**Electric Plant and Retirements**

Electric plant is stated at cost. The cost of additions to electric distribution plant includes contracted work, direct labor and materials and allocable overheads. When units of distribution property are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

General plant is depreciated using the straight-line method on an item basis. When general plant is sold or retired, the original cost and accumulated provision for depreciation are removed from the accounts and any gain or loss recognized in the accompanying statements of operations.



**Depreciation**

The Association utilizes composite depreciation methods for each distribution plant account. The rates are determined based on management's estimate of the average useful life of the assets along with future cost of removal and salvage factor estimates. Industry guidelines are also utilized to assist with determining the appropriate rates. General plant assets are depreciated on the unit basis based on management's best estimate of the useful life of the assets and also include estimates for salvage and cost of removal, if applicable.

**Recoverability of Long-Lived Assets**

The Association reviews the carrying value of electric plant for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset are less than the carrying value of the asset. Management has determined that no impairment exists at December 31, 2024 and 2023.

**Investments**

The Association has investments in associated companies and other investments which are accounted for as equity securities. The Association has determined that these investments do not have a readily determinable fair value. Investments in associated companies are recorded at the Association's share of allocated patronage capital and the other investments are recorded at cost. These investments are assessed for impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Association has not identified any impairments and there has not been observable price changes during the years ended December 31, 2024 and 2023.

Capital term certificates are a condition of loans from the National Rural Utilities Cooperative Finance Corporation, which is believed by management to have strong credit quality. Capital term certificates are debt securities and are accounted for at amortized cost, net of any impairment or allowances for credit losses. The allowance for credit losses is influenced by a variety of factors, including credit quality and general economic conditions. At December 31, 2024 and 2023, the allowance for credit losses was \$-0-.

**Restricted Investments**

Restricted investments include notes receivables and an investment in Rural Electric Economic Development, Inc. (REED). Notes receivables are issued to organizations within the Association's service area. Notes receivable are reported at the amount the Association expects to collect on balances outstanding at year-end. Interest on loans is recognized over the term of the note. The Association primarily issues notes receivable that are secured by real estate or equipment. The Association participates in the economic development lending program through REED. The Association has recorded an investment equal to the amount contributed to the organization.

Management considers past loan loss experience, known and inherent risks in the loan portfolio, adverse situations that may affect the borrower's ability to repay, and current economic conditions arriving at an allowance for unknown and inherent losses. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available. Any losses on such notes are charged against the related equity from grants received to fund the loan program. As of December 31, 2024 and 2023, there was no allowance for credit losses.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Association considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Restricted Cash**

Restricted cash is comprised of funds set aside to fund the Association's revenue deferral plan (Note 12). These restricted funds are included on the balance sheet as restricted cash – revenue deferral.

**Receivables and Credit Policies**

The Association's revenue contracts provide it with the unconditional right to consideration upon delivery of electricity to its customers; therefore, a receivable is recognized in the period the Association provides energy to its customers. The unconditional right to consideration is represented by receivables which are presented on the balance sheets as accounts receivable.

Accounts receivable are un-collateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Unpaid accounts receivable with invoice dates over 30 days old bear late fees at 1.5% per month. The Association requires deposits from customers with poor credit history. Delinquent fees are recognized as income when billed.

The allowance for credit losses is estimated based on historical bad debts and the financial stability of customers with outstanding receivables. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. As of December 31, 2024 and 2023, the allowance for credit losses was \$145,524 and \$122,204, respectively.

# West River Electric Association, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

Changes in the allowance for credit losses for receivables are as follows for years ended December 31:

	2024	2023
Opening allowance for credit losses	\$ 122,204	\$ 178,276
Provision for credit losses and other adjustments	21,057	(60,601)
Write-offs	(28,127)	(35,676)
Recoveries of amounts previously written off	30,390	40,205
	<u>\$ 145,524</u>	<u>\$ 122,204</u>

The beginning and ending balances for accounts receivable, net of allowance for credit losses, and customer contract liabilities were as follows for the years ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023	January 1, 2023
Billed	\$ 5,274,725	\$ 4,620,149	\$ 4,856,008
Customer deposits - contract liability	\$ 464,736	\$ 466,349	\$ 454,836
Customer prepayments - contract liability	\$ 309,858	\$ 344,399	\$ 646,369
Customer advances for construction - contract liability	\$ 172,642	\$ 27,505	\$ -

The Association requires deposits from new customers upon initiation of service. The deposits are applied to the final customer billing if service is terminated. These deposits are recognized as a contract liability as customer deposits on the balance sheets. The Association receives prepayments from customers during the course of providing electric services and completing construction of electrical services. Customer prepayments and advances are recognized as a contract liability included in deferred credits on the balance sheets.

## Material and Supplies

Material and supplies are stated at the lower of average cost or market, except for inventory held for resale which is stated at the lower of actual cost or net realizable value.

## Patronage Capital

The Association operates on a nonprofit basis. Amounts received from the furnishing of electric energy in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Association from its operations in excess of costs and expenses are also allocated to its patrons on a patronage basis to the extent they are not needed to offset current or prior deficits. In accordance with the Association's by laws, nonoperating margins are not required to be allocated to members.

## Revenue Recognition

The Association accounts for customer revenues under Account Standards Codification (ASC) 606, *Revenue from Contracts with Customers*.

### *Electric Revenue*

The Association's performance obligation related to the sale of energy is satisfied as energy is delivered to customers; therefore, revenue from the delivery of energy is recognized over time as energy is delivered to the customers. The Association recognizes revenue in the amount to which it has a right to invoice. The Association reads customer meters at the end of each month; accordingly, revenue is recorded through the end of each accounting period.

### *Merchandising Revenue*

The Association's performance obligation related to merchandising and electrical services are satisfied at the point in time when projects have been completed; therefore, revenue is recorded upon the completion of the service.

### *Other Revenue*

The Association's other revenues include revenue accounted for under accounting guidance separate from ASC 606. Other revenues consist of the revenue impact related to the change in regulatory revenue deferrals disclosed in Note 12, lease revenue and late payment charges on receivables.

The following table depicts revenues by timing of revenue recognition and type of revenue for the years ended December 31, 2024 and 2023, respectively:

	2024	2023
Electric revenues (transferred over time)	\$ 45,644,141	\$ 42,213,647
Merchandising revenues (transferred at a point in time)	725,987	584,834
Revenue from contracts with customers	46,370,128	42,798,481
Revenue deferral impact	1,000,000	1,000,000
Other	312,083	299,426
Total revenues	<u>\$ 47,682,211</u>	<u>\$ 44,097,907</u>

## Power Costs

The monthly billings from the wholesale supplier, which are for power costs up to the last day of each month, are reflected in the accounts.

## Pension Costs

The policy is to fund normal pension costs accrued.

### **Advertising Costs**

Advertising costs are expensed as incurred.

### **Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Business Credit Risk**

The Association provides electrical service on account to its members, which are located in several counties in the western South Dakota area.

The Association maintains its cash accounts in various financial institutions located in South Dakota. At times during the year, the Association's balances may exceed the insurance limit of the Federal Deposit Insurance Corporation. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. Cash amounts in excess of the FDIC insurance limits totaled approximately \$1,070,000 and \$1,165,000 as of December 31, 2024 and 2023, respectively. In addition, cash and cash equivalents includes Basin member investment program notes totaling approximately \$1,706,000 and \$257,000 as of December 31, 2024 and 2023, respectively.

### **Income Taxes**

The Association is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code (IRS), except to the extent of unrelated business income, if any. The Association is annually required to file a Return of Organization Exempt Income from Income Tax (Form 990) and Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Association believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Association would recognize future accrued interest and penalties related to the unrecognized tax benefits in income tax expense if such interest and penalties are incurred.

### **Sales Taxes**

The Association has customers in South Dakota and its municipalities in which those governmental units impose a sales tax on certain sales. The Association collects those sales taxes from its customers and remits the entire amount to the various governmental units. The Association's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

**Subsequent Events**

The Association has evaluated subsequent events through March 12, 2025, the date which the financial statements were available to be issued.

**Note 2 - Electric Plant and Depreciation**

	2024		2023	
	Plant	Depreciation Rates	Plant	Depreciation Rates
Transmission plant	\$ 6,621,343	2.80 - 2.94%	\$ 5,790,116	2.80 - 2.94%
Distribution plant	150,497,738	2.04 - 7.50%	139,351,493	2.04 - 7.50%
General plant	27,739,438	2.50 - 33.33%	27,141,570	2.50 - 33.33%
Electric plant in service	184,858,519		172,283,179	
Construction work in progress	13,109,955		12,047,748	
Total electric plant	<u>\$ 197,968,474</u>		<u>\$ 184,330,927</u>	

**Note 3 - Nonutility Property**

	2024	2023
Nonutility property - cost	\$ 230,744	\$ 230,744
Accumulated depreciation	<u>113,585</u>	<u>108,726</u>
Total nonutility property	<u>\$ 117,159</u>	<u>\$ 122,018</u>

Depreciation expense on nonutility property was \$4,858 in 2024 and 2023.

**Note 4 - Investments in Associated Companies**

	2024	2023
Patronage capital credits		
Rushmore Electric Power Cooperative, Inc.	\$ 18,215,765	\$ 17,555,158
National Rural Utilities Cooperative Finance Corporation	638,895	642,034
Federated Rural Electric Insurance	366,650	368,282
Rural Electric Supply Cooperative	596,359	411,691
Golden West Telecommunications Cooperative	123,465	121,748
National Information Solutions Cooperative	165,550	164,772
	<u>20,106,684</u>	<u>19,263,685</u>
National Rural Utilities Cooperative Finance Corporation		
Subordinated Certificates		
Type LTC - maturities 2025-2030; interest rate 3%	118,700	118,700
Type SCTC - maturities 2070-2080; interest rate 5%	547,980	547,980
Type ZTC - maturities 2033-2035; interest rate 0%	8,621	9,323
Member capital securities - matures 2044; interest rate 5%	50,000	50,000
	<u>725,301</u>	<u>726,003</u>
Memberships and other patronage capital credits	<u>14,005</u>	<u>14,023</u>
Total investments in associated companies	<u><u>\$ 20,845,990</u></u>	<u><u>\$ 20,003,711</u></u>

**Note 5 - Restricted Investments**

	2024	2023
Notes receivable from government entity (under the U.S. Department of Agriculture - Rural Economic Development Loan and Grant Program), 0% note due in monthly installments of \$7,500 through 2025, notes are unsecured	\$ 52,500	\$ 142,500
Rural Electric Economic Development, Inc. - investment for participation in economic development lending program	625,444	607,444
	<u>677,944</u>	<u>749,944</u>
Less current maturities of notes receivable	<u>(52,500)</u>	<u>(90,000)</u>
Total restricted investments	<u><u>\$ 625,444</u></u>	<u><u>\$ 659,944</u></u>

**Note 6 - Cash and Cash Equivalents**

	2024	2023
Cash on hand	\$ 1,250	\$ 1,250
Cash in checking	1,385,356	1,224,125
Money market and savings accounts	6,918	6,910
Commercial paper - Basin	1,706,059	257,051
Total cash and cash equivalents	<u>\$ 3,099,583</u>	<u>\$ 1,489,336</u>

**Note 7 - Deferred Debits**

	2024	2023
Construction work plan	\$ 40,438	\$ 38,559
Undistributed clearing accounts	68,095	8,519
Long range engineering plan	24,719	29,090
Total deferred debits	<u>\$ 133,252</u>	<u>\$ 76,168</u>

**Note 8 - Patronage Capital**

	2024	2023
Assignable	\$ 4,943,184	\$ 5,725,914
Assigned to date	66,123,766	60,770,256
Total	71,066,950	66,496,170
Retired to date	23,725,064	22,480,404
Total patronage capital	<u>\$ 47,341,886</u>	<u>\$ 44,015,766</u>

The mortgage provisions restrict the retirement of patronage capital, with RUS approval, unless after retirement, the capital of the Association equals at least 30% of the total assets of the Association, or that retirements can be made if such distributions do not exceed 25% of the preceding year's margins if equity is above 20%. No distribution can be made if there is unpaid, when due, any installments of principal or interest on the notes.



**Note 9 - Other Equities**

	2024	2023
Unallocated non - operating	\$ 4,817,269	\$ 4,444,866
Retired capital credits - gain	3,455,910	3,235,821
Discounted capital credits	1,644,840	1,562,210
Total other equities	<u>\$ 9,918,019</u>	<u>\$ 9,242,897</u>

**Note 10 - Long - Term Debt**

	2024	2023
Federal Financing Bank (FFB)		
1.96% - 3.13% notes due in quarterly installments through 2030	\$ 3,285,729	\$ 3,789,761
2.53% - 3.89% notes due in quarterly installments through 2045	26,998,628	27,935,676
2.26% - 3.20% notes due in quarterly installments through 2048	19,062,476	19,632,181
1.90% - 3.69% notes due in quarterly installments through 2052	28,445,418	29,101,524
	<u>77,792,251</u>	<u>80,459,142</u>
Rural Electric and Telephone (RET)		
3.49% - 4.49% notes due in monthly installments through 2057	24,852,807	7,993,410
	<u>24,852,807</u>	<u>7,993,410</u>
National Rural Utilities Cooperative Finance Corporation (CFC)		
3.75% - 5.19% notes due in quarterly installments through 2037	13,142,581	14,261,352
U.S. Department of Agriculture - Rural Economic Development		
Loan 0% note due in monthly installments of \$6,000 through 2025	36,408	108,408
U.S. Department of Agriculture Rural Economic Development Grant		
Program, 0%, payable on termination of revolving loan program	554,400	554,400
	<u>116,378,447</u>	<u>103,376,712</u>
Less current portion	<u>(4,317,000)</u>	<u>(3,863,000)</u>
Total long-term debt	<u>\$ 112,061,447</u>	<u>\$ 99,513,712</u>

Substantially all assets are pledged as security on the mortgage notes. The mortgage notes generally mature 35 years from the date of issuance. The mortgage provisions restrict the Association's debt limit to \$300,000,000. Additionally, mortgage agreements contain certain financial and other covenants including restrictions on capital credit retirements. Management believes the Association is in compliance with all debt covenants as of December 31, 2024 and 2023.

All loan funds advanced by FFB and RET are deposited in a special trust bank account, the disbursements from which are restricted by the provisions of the loan agreement to purposes approved by the lenders. The Association has unadvanced loan funds of \$21,610,000 available from RET and \$25,000,000 available from CFC as of December 31, 2024.

It is estimated that principal repayments on the above debt for the next five years will be as follows:

2025	\$ 4,317,000
2026	4,422,000
2027	4,569,000
2028	4,662,000
2029	4,537,000

#### **Note 11 - Line-of-Credit**

The Association has executed an unsecured perpetual line-of-credit agreement with the National Rural Utilities Cooperative Finance Corporation providing the Association with short-term loans in the total amount of \$6,000,000 on a revolving basis. Interest on unpaid principal is payable quarterly at rates established by CFC, which are not to exceed the lowest prime rate as published in the "Money Rates" column of "The Wall Street Journal" plus 1% per annum. Outstanding balances on the line-of-credit were \$0 and \$1,500,000 at December 31, 2024 and 2023, respectively. The interest rate on the line-of-credit at December 31, 2024 was 6.50%.

The Association has executed an unsecured revolving line-of-credit agreement with CoBank, providing the Association with short-term loans in the total amount of \$500,000. Interest on the unpaid principal is payable monthly at rates established by CoBank on a weekly basis. There were no outstanding advances on this line-of-credit at December 31, 2024 and 2023, respectively. The interest rate on the line-of-credit at December 31, 2024 was 6.39%.

**Note 12 - Deferred Credits**

	2024	2023
Electric revenue deferral	\$ -	\$ 1,000,000
Customer energy prepayments	309,858	344,449
Customer advances for construction	172,642	27,505
	<u>482,500</u>	<u>1,371,954</u>
Total deferred credits	<u>\$ 482,500</u>	<u>\$ 1,371,954</u>

As part of its ratemaking process, the Association has adopted a revenue deferral plan with the approval of RUS. The electric revenue deferral balance remaining from the 2020 and 2022 deferral was \$2,000,000 as of January 1, 2023. The Association amortized \$1,000,000 into revenue during 2023 and 2024 resulting in a \$1,000,000 increase in revenue during the years ended December 31, 2024 and 2023.

**Note 13 - Pension Plan****Defined Benefit Plan**

The Association participates in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan), which is a defined benefit pension plan intended to be qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The plan is a multiemployer plan under accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Association's contributions to the plan in 2024 and 2023 were less than 5% of the total contributions made to the plan by all participating employers. The Association made contributions to the plan of approximately \$1,265,000 and \$1,162,000 for the years ended December 31, 2024 and 2023, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2023 and 2022 based on the PPA funding target and PPA actuarial value of assets on those dates. Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable.

Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

#### **Defined Contribution Plan**

The Association also participates in the SelectRE Pension Plan which is a defined contribution, multi-employer plan qualified under Section 401(k) of the Internal Revenue Code. Participants must make contributions equal to 4% of their annual salary. Participants may also elect to contribute additional amounts, subject to IRS maximum limitations. The Association makes matching contributions up to 5% of annual base salary for each participant with under 30 years of eligible service and 7% for each participant with over 30 years of eligible service. The SelectRE pension expense was approximately \$298,000 and \$218,000 in 2024 and 2023, respectively.

#### **Note 14 - Commitments, Contingencies and Other**

##### **Wholesale Power Agreement**

The Association is committed under a long-term wholesale power agreement whereby it is to purchase its electric power and energy requirements from Rushmore Electric Power Cooperative, Inc., until December 31, 2075. The rates paid are subject to periodic review.

#### **Note 15 - Leases**

The Association has entered into a lease agreement for a vehicle lease which is recorded as an operating right of use asset. The agreement expires August 2025.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Association estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Association's applicable borrowing rates and the contractual lease term.

The Association has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Association incurred operating lease costs and cash outflows from operating leases of \$13,893 and \$13,893 for the year ended December 31, 2024 and 2023, respectively. The weighted-average remaining lease term for the operating leases was 0.7 and 1.7 years at December 31, 2024 and 2023, respectively, and the weighted-average discount rate for operating leases was 4.0% at December 31, 2024 and 2023.

Future minimum lease payments under noncancelable operating leases with terms greater than one year at December 31, 2024 are:

2025	\$ 10,420
Less interest	<u>(138)</u>
Present value of lease liabilities	<u>\$ 10,282</u>

#### Note 16 - Operating Leases (Lessor)

The Association leases substation facilities to Basin Electric Power Cooperative (Rushmore Electric Power Cooperative, Inc. is a member of Basin Electric Power Cooperative) under a two-year lease agreement that commenced on January 1, 2018 and extends annually unless terminated. Either party has the right to terminate the lease at any time with 2 year's written notice. Either party may also terminate the agreement with 30 days' written notice if the Association is not purchasing power from Basin Electric directly or indirectly. In addition, either party may terminate the agreement with 30 days' written notice if the Association is not purchasing power from Basin Electric directly or indirectly. Either party may also terminate if the Association becomes a transmission owner in the Southwest Power Pool. Lease income related to lease payments was \$65,348 for the years ended December 31, 2024 and 2023 and was included in other revenues on the statements of operations.

The Association also leases certain building space with monthly payments increasing annually by the lesser of 3% and consumer price index increases. The current lease term ends in December 2026. Lease income related to lease payments were \$191,042 and \$175,389 for the years ended December 31, 2024 and 2023, respectively, and was included in other operating revenues on the statements of operations.

Leased property subject to operating leases at December 31, 2024 and 2023, includes:

	<u>2024</u>	<u>2023</u>
Transmission plant	\$ 681,364	\$ 681,364
Building space	1,234,656	1,234,656
Less accumulated depreciation	<u>(593,090)</u>	<u>(546,296)</u>
	<u>\$ 1,322,930</u>	<u>\$ 1,369,724</u>

Depreciation expense for leased property subject to operating leases is provided on the straight-line method over the estimated useful life of the property adjusted for estimated net salvage which is reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense relating to leased property subject to operating leases was \$51,213 for 2024 and 2023.

**Note 17 - Related Party Transactions**

The Association is a member of and purchases its wholesale power from Rushmore Electric Power Cooperative, Inc. Following is a summary of material transactions with Rushmore Electric Power Cooperative, Inc. for the years ended December 31, 2024 and 2023.

	2024	2023
Purchase of wholesale power	\$ 22,738,596	\$ 20,876,980
Accounts payable for purchased power at December 31	\$ 1,859,033	\$ 1,711,622
Patronage capital balance at December 31	\$ 18,215,765	\$ 17,555,158
Patronage capital credit allocations - current year	\$ 1,339,695	\$ 1,813,139
Patronage capital retirements	\$ 679,088	\$ 620,876

In addition, the Association holds short-term investments (Note 6) in and leases property to Basin Electric Power Cooperative (Note 16). Rushmore Electric Power Cooperative, Inc. is a member of Basin Electric Power Cooperative.

**Note 18 - Postretirement Benefits**

In addition to providing pension benefits, the Association sponsors a participatory defined benefit postretirement plan that covers retired employees that were hired prior to January 1, 2014 and were employed by the Association for 30 years or reached the age of 62 prior to retirement. Eligible retirees will receive a benefit of  $\frac{1}{2}$  of the group medical premium for premium credits earned ( $\frac{1}{4}$  premium credit is earned per year of full time employment) based on years of service until the retiree is eligible for Medicare or Medicaid coverage.

The Association has adopted the provisions of FASB Accounting Standards Codification Topic ASC 715, *Compensation – Retirement Benefits*. This Statement requires the Association to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statements of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. As of December 31, 2024 and 2023, the Association's plan has no unamortized prior service transition costs or actuarial gains and losses not recognized in the financial statements.

## Accumulated postretirement benefit obligation:

	2024	2023
Balance at beginning of year	\$ 395,747	\$ 404,321
Expense	63,500	17,640
Benefit payments	(21,868)	(26,214)
Balance at end of year	<u>\$ 437,379</u>	<u>\$ 395,747</u>
Active plan participants	\$ 373,087	\$ 344,078
Retired plan participants	<u>64,292</u>	<u>51,669</u>
Accumulated postretirement benefit obligation	<u>\$ 437,379</u>	<u>\$ 395,747</u>

For measurement purposes, a 2.5% annual rate of increase has been assumed in per capita cost of applicable health care benefits for current eligible employees. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care trend rate by 1% point in each year would increase the accumulated postretirement benefit obligation by approximately \$39,500 as of December 31, 2024. The discount rate used in determining the accumulated postretirement benefit obligation was 6.5%.

**Note 19 - FEMA Grants**

The Cooperative has been approved for three Hazard Mitigation Grant Program Grants through the Federal Emergency Management Agency (FEMA) to minimize the impact to the system for future disaster. Awards are for burying existing overhead power lines throughout the Cooperative's service territory. Grant funds total \$2,828,558 and up to 85% of the eligible construction and retirement costs of the project are reimbursable. The Cooperative received \$728,108 from FEMA during the year ended December 31, 2024.



**Independent Auditor's 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***

The Board of Directors  
West River Electric Association, Inc.  
Wall, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West River Electric Association, Inc., which comprise the balance sheet as of December 31, 2024, and the related statements of operations, patronage capital and other equities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West River Electric Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West River Electric Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West River Electric Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota  
March 12, 2025

Federal Awards Reports in Accordance  
with the Uniform Guidance  
December 31, 2024

**West River Electric Association, Inc.**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	1
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**Independent Auditor's 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***

To the Board of Directors  
West River Electric Association, Inc.  
Wall, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of West River Electric Association, Inc. (the Association) which comprise the Association's balance sheet as of December 31, 2024, and the related statements of operations, patronage capital and other equities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 12, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sioux Falls, South Dakota  
March 12, 2025



**Independent Auditor's Report on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures  
of Federal Awards Required by the Uniform Guidance**

To the Board of Directors  
West River Electric Association, Inc.  
Wall, South Dakota

**Report on Compliance for the Major Federal Program**

**Opinion on the Major Federal Program**

We have audited West River Electric Association, Inc.'s (the Association) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended December 31, 2024. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

**Other Matter – Federal Expenditures Not Included in the Compliance Audit**

The Association's basic financial statements include the Rural Utilities Service (RUS) and USDA Rural Economic Development loans, which expended \$106,015,360 in federal awards which is not included in the Association's schedule of expenditures of federal awards during the year ended December 31, 2024. Our compliance audit, described in the "Opinion on the Major Federal Program" does not include the USDA/RUS loans because the loans are subject to separate audit requirements in accordance with 7 CFR 1773.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Association's federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed an other instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-003. Our opinion on the major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Association's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002 and 2024-003 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Association's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Association's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Association as of and for the year ended December 31, 2024, and have issued our report thereon dated March 12, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sioux Falls, South Dakota  
September 11, 2025

West River Electric Association, Inc.  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures
Department of Homeland Security Passed through State of South Dakota Office of Emergency Management Hazard Mitigation Grant Program	97.039	DR-4469- HMGP-0015; DR-4469-HMGP- 0016	\$ 1,114,700
Total Federal Financial Assistance			<u>\$ 1,114,700</u>

**Note 1 – Basis of Presentation**

The schedule of expenditures of federal awards (the schedule) includes the federal award activity of West River Electric Association, Inc. (the Association) under programs of the federal government for the year ended December 31, 2024. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in patronage capital and other equities, and cash flows of the Association.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 – Indirect Cost Rate**

The Association does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

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**Section I – Summary of Auditor’s Results**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

**Identification of major programs:**

Name of Federal Program	Federal Financial Assistance Listing
Hazard Mitigation Grant Program	97.039
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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None reported.

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**Section III – Federal Award Findings and Questioned Costs**

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**2024-001      Department of Homeland Security, State of South Dakota Office of Emergency Management,  
Federal Financial Assistance Listing #97.039, DR-4469-0015 & DR-4469-0016, 2024  
Hazard Mitigation Grant Program**

**Preparation of Schedule of Expenditures of Federal Awards  
Material Weakness in Internal Control over Compliance**

*Criteria:* Proper controls over financial reporting include a system designed to prepare the schedule of expenditures of federal awards (the schedule) and the accompanying notes to the schedule.

*Condition:* The Association does not have an internal control system designed to provide for a complete and accurate schedule of federal expenditures of federal awards being audited. As auditors, we were requested to assist with the preparation of the schedule and accompanying notes to the schedule.

*Cause:* Auditor assistance with preparation of the schedule is not unusual as the schedule has unique and specialized requirements and preparation is only required when the Association meets a specified threshold of federal expenditures.

*Effect:* There is a reasonable possibility that the Association would not be able to draft a complete and accurate schedule.

*Questioned Costs:* None reported.

*Context/Sampling:* Sampling was not used.

*Repeat Finding form Prior Year:* No

*Recommendation:* While we recognize that this condition is not unusual for an organization with limited staffing, it is important that the Association is aware of this condition for financial reporting requirements relating to the Association's schedule of expenditures of federal awards and the internal controls that impact financial reporting.

*Views of Responsible Officials:* Management agrees with the finding.

**2024-002      Department of Homeland Security, State of South Dakota Office of Emergency Management,  
Federal Financial Assistance Listing #97.039, DR-4469-0015 & DR-4469-0016, 2024  
Hazard Mitigation Grant Program**

**Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and  
Cash Management**

**Material Weakness in Internal Control over Compliance**

*Criteria:* 2 CFR 200.303(a) states that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

*Condition:* Material expenditures were claimed for reimbursement with no documented formal review and approval.

*Cause:* The Association did not have formal documented review and approval over bar-code material charge-outs that were claimed for reimbursement and correction entries for unused materials returned to inventory.

*Effect:* Without a formal documentation of review of expenses, demonstrating the expenditures comply with federal regulations is difficult.

*Questioned Costs:* No questioned costs over \$25,000.

*Context/Sampling:* Nonstatistical sampling was used for activities allowed or unallowed, allowable costs/cost principles and period of performance. Sample size was 60 transactions which accounted for \$1,965,908 out of \$2,435,532 of federal program expenditures of which \$1,114,700 was submitted for reimbursement. For cash management, sampling was not used due to a single submission for reimbursement.

*Repeat Finding form Prior Year:* No

*Recommendation:* We recommend the Association review the process for documenting the review and approval over material charge-outs and correction entries for unused materials returned to inventory prior to the amounts being submitted for reimbursement.

*Views of Responsible Officials:* Management agrees with the finding.

**2024-003      Department of Homeland Security, State of South Dakota Office of Emergency Management,  
Federal Financial Assistance Listing #97.039, DR-4469-0015 & DR-4469-0016, 2024  
Hazard Mitigation Grant Program**

**Reporting**

**Material Weakness in Internal Control over Compliance and Noncompliance**

*Criteria:* 2 CFR 200.303(a) states that the auditee must establish and maintain effective internal control over the federal award that provides assurance that the entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

*Condition:* In two of three quarterly performance reports tested, we noted the Association improperly overstated expenditures incurred to date.

*Cause:* The Association's independent review process over the quarterly performance reports did not identify the overstatement.

*Effect:* Lack of compliance with designed internal controls over reporting could result in the Association reporting incorrect or incomplete information.

*Questioned Costs:* None reported.

*Context/Sampling:* A nonstatistical sample of 3 reports out of 8 quarterly performance reports.

*Repeat Finding form Prior Year:* No

*Recommendation:* We recommend the Association review internal control procedures over reporting to ensure reported amounts agree to supporting documentation and also that supporting documentation is retained.

*Views of Responsible Officials:* Management agrees with the finding.

Management's Response to Auditor's Findings:  
Corrective Action Plan  
December 31, 2024

Prepared by Management of  
**West River Electric Association, Inc.**



# West River Electric Association, Inc.

Your Touchstone Energy® Partner



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*“Powering You For A Brighter Future”*

## Corrective Action Plan

### Financial Statement Findings

No financial statement findings reported in current year.

### Federal Award Findings

*Finding: 2024-001*

*Federal Agency Name: Department of Homeland Security*

*Pass-Through Entity: State of South Dakota Office of Emergency Management*

*Assistance Listing Number: 97.039*

*Program Name: Hazard Mitigation Grant Program*

*Finding Summary:* The Association does not have an internal control system designed to provide for a complete and accurate schedule of federal expenditures of federal awards being audited. As auditors, we were requested to assist with the preparation of the schedule and accompanying notes to the schedule.

*Corrective Action Plan:* It is not cost effective to have an internal control system designed to provide for the preparation of the schedule of federal expenditures of federal awards and the accompanying notes to the schedule. We requested that our auditors, Eide Bailly, LLP, prepare the schedule and accompanying notes. We have designated a member of management to review the drafted schedule and accompanying notes to the schedule.

*Responsible Individuals:* Robert Raker, CEO and Dawn Hilgenkamp, CFO

*Anticipated Completion Date:* Ongoing

*Finding: 2024-002*

*Federal Agency Name: Department of Homeland Security*

*Pass-Through Entity: State of South Dakota Office of Emergency Management*

*Assistance Listing Number: 97.039*

*Program Name: Hazard Mitigation Grant Program*

*Finding Summary:* Material expenditures were claimed for reimbursement with no documented formal review and approval.

*Corrective Action Plan:* We will continue to have the approvals of material expenditures happen at the requisition level when the materials are ordered. If we must use material from our internal inventory stock, we will use a material charge out sheet that will provide the following information: work order number of project, name of work order, date, material item number (SBR#), quantity, charged by, approved by and posted by. This charge out sheet will then be posted in our IVUE system, and the paper copy will be scanned into vault for documentation. This same procedure will be used for salvage and credit material.



For cash management, we will send the final summarized report to the Operations Manager for approval before it is sent to FEMA.

*Responsible Individuals:* Mike Letcher, Operations Manager; Brendan Nelson, Operations Supt.; and Sanden Simons, Operations Supt.;

*Anticipated Completion Date:* The anticipated date of completion is September 2025, as we have notified our employees of this change.

*Finding 2024-003*

*Federal Agency Name:* Department of Homeland Security

*Pass-Through Entity:* State of South Dakota Office of Emergency Management

*Assistance Listing Number:* 97.039

*Program Name:* Hazard Mitigation Grant Program

*Finding Summary:* In two of three quarterly performance reports tested, the Association improperly overstated expenditures incurred to date.

*Corrective Action Plan:* Matt Schmahl will run the Work Order Analysis report in our IVUE software to give him the information to fill out the progress report. The analysis report will list in detail the transactions that have been posted to the work order as of the day the report was run. This report will be attached to the progress report and filed for documentation.

*Responsible Individuals:* Matt Schmahl, Business Development Manager and Mike Letcher, Operations Manager.

*Anticipated Completion Date:* The anticipated date of completion August 2025, as we have notified our employees of this change.