

HELENA VALLEY

IRRIGATION DISTRICT

Years Ended December 31, 2012 and 2013

**AUDIT REPORT**

**Tromly Accounting & Escrow LLC**  
William R. Tromly, CPA

HELENA VALLEY  
IRRIGATION DISTRICT  
Year Ended December 31, 2012 and 2013

**TABLE OF CONTENTS**

Organization.....	1
Management Discussion and Analysis.....	2
Independent Auditor's Report.....	5
Basic Financial Statements:	
Balance Sheet.....	8
Statement of Revenues, Expenses and Changes in Net Position.....	9
Statement of Cash Flows.....	10
Notes to Financial Statements.....	11
Supplemental Information	
Independent Auditor's Report on Internal Control over Financial Reporting Based and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	18
Schedule of Findings.....	20
Report on Other Compliance, Financial, and Internal Accounting Control Matters.....	21
Report on Prior Audit Report Recommendations.....	22

HELENA VALLEY IRRIGATION DISTRICT  
LEWIS AND CLARK COUNTY, MONTANA

**ORGANIZATION**

Years Ended December 31, 2012 and 2013

**BOARD MEMBERS**

John Baucus  
Tom Nicholls  
James Foster  
Don Burnham  
Mark Diehl  
Craig Winterburn

President  
Vice President  
Secretary  
Commissioner  
Commissioner  
Commissioner

**DISTRICT OFFICIALS**

James Foster  
Sharon Foster  
John Doubek

Manager  
Office Manager  
District Attorney

# HELENA VALLEY IRRIGATION DISTRICT

3840 North Montana Avenue  
Helena, MT 59602

Telephone (406) 442-3292  
Fax (406) 442-3292

December 24, 2014

## **Management's Discussion and Analysis Fiscal Years Ended, December 31, 2012 and 2013**

As management of the Helena Valley Irrigation District (HVID), we offer readers of the HVID's financial statements, this narrative overview and analysis of the financial activities of the HVID for the fiscal years ended December 31, 2012 and 2013. This section of the financial report is designed to assist the reader in focusing on significant financial activities and issues, as well as important changes in the District's financial position and results of operations, which may affect the HVID'S ability to address subsequent years' challenges. This discussion is designed to be used in conjunction with the financial statements and notes, which follow this section.

### **THE FINANCIAL STATEMENTS**

The Financial Statements present the financial picture of the HVID from the economic resources measurement focus using the accrual basis of accounting. They present business-type activities. The statements include all assets of the HVID (including infrastructure) as well as all liability (including long-term debt).

Proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting.

### **REPORTING THE DISTRICT FUND**

**Proprietary Funds** – When the District charges the customers for services it provides, these services are generally reported in proprietary funds. These statements include all assets and net position of the District using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All the current year's revenues and expenses are taken into account regardless when cash is received or paid.

These statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the District's financial health or financial position. Over time, increases and decreases in the District net position are one indicator whether its financial health is improving or deteriorating. Another factor to consider is changes to the condition of the District's infrastructure.

## THE DISTRICT AS A WHOLE:

The District is providing condensed financial information for fiscal year 2012 and 2013. Our analysis below focuses on the net assets of the District's business-type activities.

	2012 Business-Type Activities	2013 Business-Type Activities
Current and Other Assets	\$ 622,465	\$ 580,656
Capital Assets (Net)	<u>0</u>	<u>55,034</u>
Total Assets	\$ 622,465	\$ 635,690
Long-Term Debt Outstanding	\$ 45,263	\$ 33,947
Other Liabilities	<u>197,013</u>	<u>176,689</u>
Total Liabilities	242,276	210,630
Restricted	131,543	142,923
Unrestricted	<u>248,645</u>	<u>282,131</u>
Total Net Position	\$ 380,188	\$ 425,054
Revenues		
Program Revenues	\$ 589,463	\$ 449,937
Expenses		
Operations	\$ 521,209	\$ 420,644

## BUSINESS-TYPE ACTIVITIES

The cost of all Irrigation District activities for 2012 and 2013 were \$521,209 and \$420,644, respectively. The Proprietary (Business-Type) Activities are the Irrigation District's Operations.

## DEBT ADMINISTRATION

Debt, considered a liability of proprietary activities, decreased in fiscal year 2012 by \$22,632 and in fiscal year 2013 by \$11,316 per contract with the BOR. The total debt was paid off in 2014.

## CAPITAL ASSETS

The capital assets of the District are those assets which are used in the performance of the District including infrastructure assets. At December 31, 2012 and 2013, net capital assets of the business-type activities totaled \$0 and \$55,034, respectively. Depreciation on capital assets is recognized in the financial statements. There were not any assets purchased nor disposed of during 2012.

## CAPITAL ASSETS

	Balance December 31, 2012	Increases	Decreases	Balance December 31, 2013
<i>Business-Type Activities</i>				
Equipment	\$ 17,699	\$ 12,660	\$ (2,600)	\$ 27,759
Machinery	170,567	0	0	170,567
Office	24,210	4,800	(5,826)	23,184
Vehicles	52,319	47,000	(15,450)	83,869
Total	<u>\$ 264,795</u>	<u>\$ 64,460</u>	<u>\$ (23,876)</u>	<u>\$ 305,379</u>
Accumulated Depreciation	<u>\$ (264,795)</u>	<u>\$ 23,876</u>	<u>\$ (9,426)</u>	<u>\$ (250,345)</u>
Total Business-Type Activities	<u>\$ 0</u>	<u>\$ 88,336</u>	<u>\$ (33,302)</u>	<u>\$ 55,034</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

### *The Budget*

Although law does not require a cost budget, the Board adopts a budget each year.

### *The Future*

In terms of the future, we are presently in good financial condition. Our current assessment rate produces enough revenue to adequately fund the District now as well into the future for at least three years. The Board of Commissioners at that time will need to consider an increase in assessment rates to adequately fund the District.

We do not anticipate a significant increase in expenditures in the next three years outside of standard inflation. Our current employee staff and equipment should be significant. The District may experience increased revenues outside of raising assessments due to a proposed hydro-electric facility.

In an organization such as an Irrigation District, there is always the potential for significant extraordinary expenses; due to emergencies such as floods. The District has set aside emergency funds for such an event.

In summary, we are very pleased with the current overall financial condition of the HVID. Our goal is to continue to provide an exceptional service for our customers.

### CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the funds and assets it receives. If you have any questions about this report, or should you need additional financial information, contact the District office at 3840 North Montana Avenue, Helena, Montana 59602.

Respectfully Submitted,

James A. Foster, District Manager  
Helena Valley Irrigation District

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***Tromly Accounting & Escrow LLC***  
***William R. Tromly, CPA***

302 Broadway St. Townsend, MT 59644

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**Independent Auditor's Report**

December 24, 2014

Board Members  
Helena Valley Irrigation District  
Lewis and Clark County  
Helena, Montana 59602

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Helena Valley Irrigation District, as of and for the years ended December 31, 2012 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Helena Valley Irrigation District, as of December 31, 2012 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 4, 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.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Helena Valley Irrigation District's basic financial statements. Audits of States, Local Government, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Balance Sheet – Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds, and Statement of Cash Flows – Proprietary Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Balance Sheet – Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds, and the Statement of Cash Flows – Proprietary Funds, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2014, on our consideration of the Helena Valley Irrigation District's internal control over financial reporting and 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* in considering the Helena Valley Irrigation District's internal control over financial reporting and compliance.

*Bill Tromly, CPA*

Tromly Accounting & Escrow LLC  
Townsend, MT  
December 24, 2014

**Helena Valley Irrigation District  
Balance Sheet  
December 31, 2012 and 2013**

	<b>Business-Type Activities District</b>	
<b>ASSETS</b>	<b>2012</b>	<b>2013</b>
<b>Current Assets:</b>		
Cash and Investments	\$348,024	\$311,286
Taxes and Assessments Receivable, Net	142,897	126,447
Total Current Assets	<u>\$490,921</u>	<u>\$437,733</u>
<b>Non-Current Assets:</b>		
Restricted Cash and Investments	\$131,543	\$142,923
Capital Assets – Depreciable, Net	0	55,034
Total Non-Current Assets	<u>\$131,543</u>	<u>\$197,957</u>
Total Assets	<u>\$622,464</u>	<u>\$635,690</u>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Compensated Absences	\$ 54,116	\$ 50,242
Current Portion of Long-Term Debt	22,632	33,947
Deferred Revenue	142,897	126,447
Total Current Liabilities	<u>\$219,645</u>	<u>\$210,636</u>
<b>Non-Current Liabilities:</b>		
Current Portion of Long-Term Debt	\$ 22,631	\$ 0
Total Non-Current Liabilities	<u>\$ 22,631</u>	<u>\$ 0</u>
Total Liabilities	<u>\$242,276</u>	<u>\$210,636</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 0	\$ 55,034
Restricted	131,543	142,923
Unrestricted	248,645	227,097
Total Net Position	<u>\$380,188</u>	<u>\$425,054</u>
Total Liabilities and Net Position	<u>\$622,465</u>	<u>\$635,690</u>

See accompanying Notes to the Financial Statements

**Helena Valley Irrigation District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended December 31, 2012 and 2013**

	<u>Business-Type Activities</u>	
	<u>District</u>	
	<u>2012</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Charges for Services	\$109,600	\$104,391
Special Assessments	335,231	338,065
Grant Income	140,167	2,559
Miscellaneous Income	1,575	2,541
Interest Income	<u>2,890</u>	<u>2,481</u>
Total Revenues	<u>\$589,463</u>	<u>\$450,037</u>
<b>OPERATING EXPENSES</b>		
Compensated Absences	\$ 2,149	\$ (3,874)
Depreciation	0	9,426
Pumping Related Expenses	142,509	22,164
Supplies	23,676	28,550
Maintenance	29,928	41,585
Utilities	4,749	3,916
Salaries & Wages	246,618	259,006
Insurance	23,030	38,988
Other	12,166	18,324
Grant Expenses	<u>36,384</u>	<u>2,559</u>
Total Expenses	<u>\$521,209</u>	<u>\$420,644</u>
Change in Net Position	<u>\$ 68,254</u>	<u>\$ 29,393</u>
Total Fund Net Position – Beginning	<u>\$311,934</u>	<u>\$380,188</u>
Restatements	<u>\$ 0</u>	<u>\$ 15,473</u>
Total Fund Net Position – Beginning	<u>\$380,188</u>	<u>\$425,054</u>

See accompanying Notes to the Financial Statements

**Helena Valley Irrigation District**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2012 and 2013**

	<u>Business-Type Activities</u>	
	<u>District</u>	
	<u>2012</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	\$109,600	\$104,391
Receipts from Assessments	335,231	338,065
Receipts from Grantors	140,167	2,559
Receipts from Miscellaneous Sources	1,575	2,541
Payments to Suppliers	(272,442)	(156,086)
Payments to Employees	(246,618)	(259,006)
Net Cash Provided by Operating Activities	<u>\$ 67,513</u>	<u>\$ 32,464</u>
<b>Cash Flows from Capital &amp; Related Financing Activities</b>		
Purchases of Capital Assets	\$ 0	\$ (48,987)
Principal Paid on Debt	(22,632)	(11,316)
Net Cash Provided by Capital & Related Financing Activities	<u>\$ (22,632)</u>	<u>\$ (60,303)</u>
<b>Cash Flows from Investing Activities</b>		
Interest Earnings	\$ 2,890	\$ 2,481
Net Cash Provided by Investing Activities	<u>\$ 2,890</u>	<u>\$ 2,481</u>
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<u>\$ 47,771</u>	<u>\$ (25,358)</u>
<b>Cash &amp; Cash Equivalents</b>		
Beginning of Period	<u>\$ 431,796</u>	<u>\$479,567</u>
<b>Cash &amp; Cash Equivalents</b>		
End of Period	<u>\$479,567</u>	<u>\$454,209</u>
<b>Cash &amp; Cash Equivalents – Per Balance Sheet</b>		
Unrestricted Cash & Cash Equivalents	\$348,024	\$311,286
Restricted Cash & Cash Equivalents:		
Bureau of Reclamation Requirement	<u>131,543</u>	<u>142,923</u>
	<u>\$479,567</u>	<u>\$454,209</u>

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**HELENA VALLEY IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2013**

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

**Reporting Entity**

The Helena Valley Irrigation District (HVID) formed its' bylaws on January 1, 1971 and includes all component units of which the District appointed a voting majority of the unit's board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists.

*Primary Government*

The District is considered to be a primary government since it is governed by a Board of Commissioners, elected by members of the District and establishes its own budget independent of any other government entity. The daily affairs of the District are conducted under the supervision of the Board of Commissioners.

As required by generally accepted accounting principles, the general purpose financial statements include all funds of the District; in which as of December 31, 2012 and 2013 consisted of an Operations and a Construction Fund.

**Measurement Focus, Basis of Accounting and Basis of Presentation:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in net total net position. Under the accrual basis of accounting, revenues are recognized when earned. Net position (i.e., total assets net of total liabilities) is segregated into "invested in capital assets, net of related debt"; "restricted for bond payments and future capital improvements" and "unrestricted" components.

**HELENA VALLEY IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2013**

***Proprietary Funds:***

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

*Major Funds:*

The District reports the following major proprietary fund:

*Irrigation District Fund* – An enterprise fund that accounts for the activities of the District's irrigation operations.

**Tax Exempt Status**

The District is a municipal corporation and, therefore, is not liable for federal and state income taxes pursuant to Internal Revenue Code 501(c)(1).

**Date of Management Review**

Management has performed a review of the activities and transactions subsequent to December 31, 2013 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the years ended December 31, 2012 and 2013. Management has performed this analysis through December 24, 2014, the date the financial statements were available to be issued.

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

Composition of cash, deposits and investments at fair value on December 31, 2012 and December 31, 2013, are as follows:

<u>Cash Deposits:</u>	<u>2012</u>	<u>2013</u>
Cash in Banks:		
Petty Cash	\$ 25	\$ 25
Cash at County	280,990	243,232
Time Deposits	<u>198,552</u>	<u>210,952</u>
<b>Total</b>	<b><u>\$479,567</u></b>	<b><u>\$454,209</u></b>

**HELENA VALLEY IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2013**

**Credit Risk**

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be place in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

Section 7-6-202, MCA, as amended, now limits authorized investments in certain securities that previously were permissible investments. The amendment does not apply to and does not require the sale of securities that were legal investments before the effective date of this act.

The government has no investment policy that would further limit its investment choices.

The government has no investments that require credit risk disclosure.

**HELENA VALLEY IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2013**

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of December 31, 2012 and 2013 the government's bank balance of \$198,552 and \$210,952, respectively were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>12/31/12 Balance</u>	<u>12/31/13 Balance</u>
Insured	\$198,552	\$210,952

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for Entity deposits at December 31, 2012 and 2013, equaled or exceeded the amount required by State statutes.

**Cash Composition**

The Districts' cash of \$280,990 and \$243,232 is held by the County Treasurer and pooled with other County Cash.

For purposes of the Statement of Cash Flows, cash equivalents include all cash and investments.

**NOTE 3. RECEIVABLES**

An allowance for uncollectible accounts was not maintained for special assessments receivable. The direct write-off method is used for these accounts.

**NOTE 4. INVENTORIES**

The cost of inventories are recorded as an expenditure when purchased.

**HELENA VALLEY IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2013**

**NOTE 5. CAPITAL ASSETS**

The District's assets are capitalized at historical cost or estimated historical cost. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs will be charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Machinery and Equipment .....	4-20 years
Vehicles.....	5-10 years
Office Equipment .....	5 years

**NOTE 6. RISK MANAGEMENT**

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, and (e) workers' compensation, i.e., employee injuries.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees' torts, and professional liabilities. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

**NOTE 7. PENDING LITIGATION**

There was no pending or threatened litigation or unasserted claims or assessments against the District at December 31, 2012 and 2013.

**NOTE 8. LONG-TERM DEBT OBLIGATIONS**

In the proprietary financial statements, outstanding debt is reported as liabilities.

Changes in Long-Term Debt Liabilities -- During the year ended December 31, 2012 and December 31, 2013, the following changes occurred in liabilities reported in long-term debt:

Business-Type Activities:

	Balance <u>January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2012</u>	Due Within <u>One Year</u>
Contracted Debt	\$67,895	\$ 0	\$22,632	\$45,263	\$22,632
	Balance <u>January 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2013</u>	Due Within <u>One Year</u>
Contracted Debt	\$45,263	\$ 0	\$11,316	\$33,947	\$33,947

**HELENA VALLEY IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2013**

**Loans/Contracted Debt**

Loans/contracted debts outstanding were for the Construction of Irrigation and as of December 31, 2012 and December 31, 2013, were as follows:

Origination Date	Interest Rate	Term	Maturity Date	Principle Amount	Balance 12/31/2012	Balance 12/31/2013
08/22/195						
5	0%	40 yrs.	12/01/2014	\$905,264	\$45,263	\$33,947

**Compensated Absences**

It is the District's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from Entity service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but not more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with proprietary fund-type employees is recorded in the respective fund.

**NOTE 9. STATE-WIDE RETIREMENT PLANS**

All full-time District employees are covered under the Montana Public Employees Retirement system (PERS). The plan is established by State law and administered by the State of Montana. The plan is cost-sharing multiple-employer defined benefit plan that provides retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State.

Contribution rates are required and determined by state law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended December 31, 2012 and December 31, 2013, were:

<u>PERS through 12/31/2012</u>		<u>PERS through 06/30/2013</u>		<u>PERS through 12/31/2013</u>	
Employer	7.07%	Employer	7.07%	Employer	8.07%
Employee	6.90%	Employee	6.90%	Employee	7.90%
State	.10%	State	.10%	State	.10%

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the District's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling: Public Employees Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131, Phone: 1-406-444-3154.

The District's contributions for the years ended December 31, 2012, and December 31, 2013 were \$14,219 and \$15,181, respectively.

**HELENA VALLEY IRRIGATION DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012 and 2013**

**NOTE 10. Restricted Cash/Investments**

The following restricted cash/investments were held by the District as of December 31, 2012 and December 31, 2013. These amounts are reported within the cash/investment accounts on the Statement of Net Position.

<u>Description</u>	<u>2012 Amount</u>	<u>2013 Amount</u>
Bureau of Reclamation Requirement	\$131,543	\$142,923

**NOTE 11. RESTATEMENTS**

During the 2013 year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Irrigation District Fund	\$(12,700)	Vehicles Overstated
Irrigation District Fund	\$ 10,060	Equipment Understated
Irrigation District Fund	\$ 7,817	Office Equipment Understated
Irrigation District Fund	<u>\$ 10,296</u>	Accumulated Depreciation Overstated
Total Restatement	<u>\$ 15,473</u>	

**NOTE 12. RISK MANAGEMENT**

The District faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employee torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

*Tromly Accounting & Escrow LLC*  
*William R. Tromly, CPA*

302 Broadway St. Townsend, MT 59644

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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***

December 24, 2014

Board Members  
Helena Valley Irrigation District  
Lewis and Clark County  
Helena, Montana 59602

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Helena Valley Irrigation district, as of and for the year ended December 31, 2012 and 2013, and the related notes to the financial statements, which collectively comprise Helena Valley Irrigation District's basic financial statements, and have issued our report thereon dated December 24, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Helena Valley Irrigation District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Helena Valley Irrigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Helena Valley Irrigation District'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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Helena Valley Irrigation District'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 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*.

### **Purpose of this Report**

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

*Bill Tromly, CPA*

Tromly Accounting & Escrow LLC  
Townsend, Montana  
December 24, 2014

**12-1 & 13-1 Compensation Time**

**Condition:**

Liability amounts related to compensation time that was earned and not taken as of fiscal year ending December 31, 2012 and 2013 was not posted to compensated absence liability.

**Criteria:**

Generally accepted accounting principles (GAAP), requires the proper recording of all liabilities.

**Effect:**

Compensated liabilities were understated by \$54,116 and \$50,242 for fiscal years ending December 31, 2012 and December 31, 2013, respectively. The audited financial statements have been adjusted.

**Recommendation:**

The District should record compensation time that was earned and not taken at year end to compensated absence liability.

**12-2 & 13-2 Financial Statements**

**Condition:**

The following errors were noted in the financial statements as presented for audit:

1. The long-term debt was not reported for the payment made and the payment was reported as an expense.
2. The District did not have a depreciation schedule and depreciation expense was not reported.

**Criteria:**

Internal control related to presentation and disclosure. Generally accepted accounting principles require full accrual funds to report revenue when a receivable is incurred.

**Effect:**

Overstated debt and debt expense of \$22,632 and \$11,316 for fiscal years ending December 31, 2012 and December 31, 2013, respectively. Understated accumulated depreciation for fiscal year ending December 31, 2012 in the amount of \$264,795. Understated depreciation expense of \$9,426 and accumulated depreciation of \$250,345 for fiscal year ending December 31, 2013. These adjustments have been corrected for the audit report.

**Recommendation:**

All year end entries should be made prior to finalizing the financial statements for the audit.

***Tromly Accounting & Escrow LLC***  
***William R. Tromly, CPA***

302 Broadway St. Townsend, MT 59644

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Board Members  
Helena Valley Irrigation District  
Lewis and Clark County  
Helena, Montana 59602

There were no other compliance, financial, or internal accounting matters.

*Bill Tromly*

Tromly Accounting & Escrow LLC  
Townsend, Montana  
December 24, 2014

***Tromly Accounting & Escrow LLC***  
***William R. Tromly, CPA***

302 Broadway St. Townsend, MT 59644

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

Board Members  
Helena Valley Irrigation District  
Lewis and Clark County  
Helena, Montana 59602

The prior audit report contained both of the identified recommendations listed above and also two recommendations regarding Segregation of Duties and Disbursements Internal Control that were implemented.



Tromly Accounting & Escrow LLC  
Townsend, Montana  
December 24, 2014