

Independent Auditor's Report and Financial Statements
Big Horn Irrigation District
December 31, 2014

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BIG HORN IRRIGATION DISTRICT

December 31, 2014

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For the Year Ended December 31, 2014

BOARD OF DIRECTORS

Richard Kehler, Jr., President

Gary Uffleman, Vice President

Rodney Jabs, Secretary/Treasurer

Scott Uffleman

Rupert Kern

Spencer Kehler

CONTRACTED MANAGER

Doug Greenwalt

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2014

REPORTING ENTITY

The management of the Big Horn Irrigation District (the District) offers readers of these financial statements this overview and summary analysis of the financial activities of the District for the fiscal year ended December 31st, 2014. 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 District'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 District has been in operation since the 1940's. The District is considered to be a primary government since it is governed by a Board of Directors 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 District's contracted general manager.

The District accounts for separate revenue and expenses of the irrigation system, as well as property assessments to maintain this system. The property assessments are used to pay for operating, maintenance and professional services. Costs for improvements are being funded by the Cooperative Agreement contract with the Bureau of Indian Affairs.

OVERVIEW & FUTURE PLANS

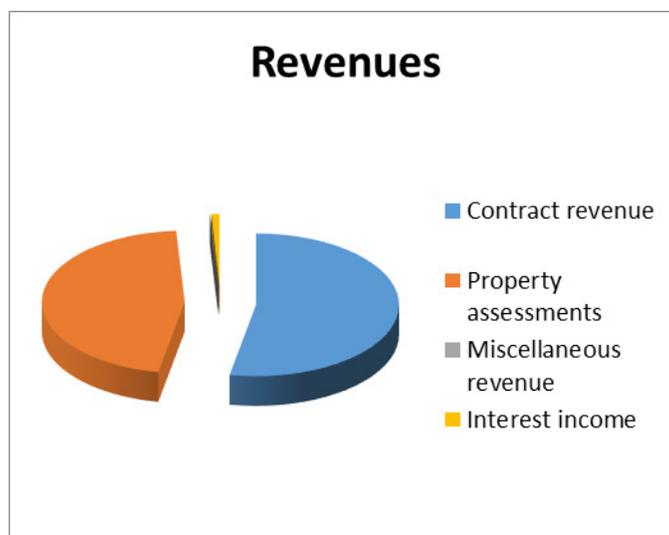
The District's financial condition is strong. The District operates well within the financial policies and guidelines set by the Board and management. The following are key financial highlights:

- Throughout the fiscal year 2014 the District spent time improving and maintaining canals, laterals, and structures within the project. The maintenance contract with the Bureau of Indian Affairs and the District has made access to irrigation water that was not accessible in the past. During the maintaining of these canals, laterals, and structures there has been minor emergency work completed. There has been added value to the land surrounding the Crow Irrigation Project due to the work accomplished by the maintenance contract.
- In the future the District will continue to improve and maintain these canals, laterals, and structures. The maintenance contract has made a stronger relationship between the District, Crow Tribe, Water Users and Bureau of Indian Affairs. The continuation of the maintenance contract will keep adding value to the surrounding lands.

MANAGEMENT'S DISCUSSION AND ANALYSIS

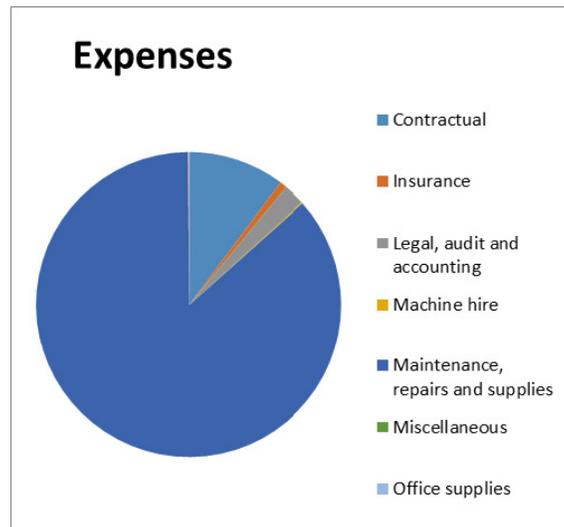
	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	<u>328,049</u>	<u>337,592</u>
Liabilities:		
Current liabilities	<u>24,142</u>	<u>3,900</u>
Net Position	<u>303,907</u>	<u>333,692</u>

	<u>2014</u>	<u>2013</u>
Operating Revenue		
Contract revenue	295,650	274,300
Property assessments	257,186	248,375
Miscellaneous	352	0
	<u>553,188</u>	<u>522,675</u>
Non-Operating Revenue		
Interest income	5,039	1,449
Total Revenue	<u>558,227</u>	<u>524,124</u>



MANAGEMENT'S DISCUSSION AND ANALYSIS

	<u>2014</u>	<u>2013</u>
Operating Expense		
Contractual	60,000	60,179
Insurance	4,442	4,226
Legal, audit and accounting	13,750	3,179
Machine hire	700	0
Maintenance, repairs and supplies	508,518	352,945
Miscellaneous	0	11
Office supplies	167	0
Taxes and licenses	435	0
Total Expense	<u><u>588,012</u></u>	<u><u>420,540</u></u>



CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide the public with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have any questions about this report, or should you need additional financial information, contact Big Horn Irrigation District at 208 N Center Ave, Hardin, Montana, 59034 or phone 406-665-1716.

INDEPENDENT AUDITOR'S REPORT

June 03, 2015

The Board of Directors
Big Horn Irrigation District
Hardin, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Big Horn Irrigation District, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Big Horn Irrigation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Big Horn Irrigation District's 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 misstatement, 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 from 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Big Horn Irrigation District, as of December 31, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

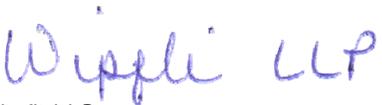
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 03, 2015 on our consideration of Big Horn Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Big Horn Irrigation District's internal control over financial reporting and compliance.


Wipfli LLP
Billings, Montana

BASIC FINANCIAL STATEMENTS:

STATEMENT OF NET POSITION

December 31, 2014

ASSETS

Current Assets

Cash and cash equivalents	235,722
Special property assessments receivable	<u>92,327</u>
Total Current Assets	<u>328,049</u>

TOTAL ASSETS

328,049

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	<u>24,142</u>
Total Current Liabilities	<u>24,142</u>

Net Position

Unrestricted	<u>303,907</u>
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Total Net Position	<u>303,907</u>
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TOTAL LIABILITIES AND NET POSITION

328,049

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2014

Operating Revenue	
Contract revenue	295,650
Property assessments	257,186
Miscellaneous revenue	352
Total Operating Revenue	<u>553,188</u>
Operating Expenses	
Contractual	60,000
Insurance	4,442
Legal, audit and accounting	13,750
Machine hire	700
Maintenance, repairs and supplies	508,518
Office supplies and postage	167
Taxes and licenses	435
Total Operating Expenses	<u>588,012</u>
Operating Loss	<u>(34,824)</u>
Non-Operating Revenue (Expense)	
Interest income	5,039
Total Non-Operating Revenue (Expense)	<u>5,039</u>
Change in Net Position	(29,785)
Total Net Position - Beginning	<u>333,692</u>
Total Net Position - Ending	<u><u>303,907</u></u>

The accompanying notes are an integral part of these financial statements.

BASIC FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

Cash Flows from Operating Activities	
Receipts from customers	352
Receipts from contracts	295,650
Receipts from property assessments	284,116
Payments to suppliers	<u>(567,770)</u>
Net Cash Provided by Operating Activities	<u>12,348</u>
Cash Flows from Investing Activities	
Interest earnings	<u>5,039</u>
Net Cash Provided by Investing Activities	<u>5,039</u>
Net Increase in Cash and Cash Equivalents	
	17,387
Cash and Cash Equivalents	
Beginning of period	<u>218,335</u>
Cash and Cash Equivalents	
End of period	<u><u>235,722</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating loss	(34,824)
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in current assets:	
Receivables	26,930
Increase (decrease) in current liabilities:	
Accounts payable	<u>20,242</u>
Net Cash Provided by Operating Activities	<u><u>12,348</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

Note A. Summary of Significant Accounting Policies

Reporting Entity - Big Horn Irrigation District (the District) has been in operation since the 1940's with the intent of improving and maintaining the irrigation system for farmers and ranchers around Hardin, MT and Big Horn County. The District is considered to be a primary government since it is governed by a Board of Directors 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 District's contracted general manager.

The District accounts for separate revenue and expenses of the irrigation system, as well as property assessments to maintain this system. The property assessments are used to pay for operating, maintenance and professional services. Costs for improvements are being funded by the Cooperative Agreement contract with the Bureau of Indian Affairs.

Measurement Focus, Basis of Accounting and Basis of Presentation - The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents – Cash and cash equivalents, for purposes of the statement of cash flows, include restricted and unrestricted cash on deposit, certificates of deposit, repurchase agreements, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

For the Year Ended December 31, 2014

Special Property Assessments Receivable - The special property assessments have been levied annually by the District to cover expenses related to the operations and maintenance of the irrigation district. The special property assessments are collected by Big Horn County who remits the revenues to the District. Tax levies are assessed annually in October. The special property assessments were collectible in November 2014 and May 2015. As of May 31, 2015, uncollected property taxes became delinquent. Property taxes are attached as an enforceable lien on the underlying property. After a period of three years, Big Horn County, the collecting agent, may begin foreclosure proceedings and sell the property at auction. The District receives its share of the sale proceeds from Big Horn County.

The District recognizes these assessments as revenue when assessed.

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, 2014 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2014. Management has performed this analysis through June 03, 2015, the date the financial statements were available to be issued.

Note B. Cash and Equivalents

The District is authorized by statute to invest in time or savings deposits with banks; investments in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the District or of municipalities or school districts located in the District; U.S. government treasury bills, notes, bonds and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. government security money market funds if the funds meet certain conditions.

Note C. Net Position

Net position is comprised of the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is generally classified in the three components: Net investment in capital assets represents net position in the form of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted Net position consists of all other net assets not included in the above categories. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The District has no capital assets or restriction on net assets.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

For the Year Ended December 31, 2014

Note D. Risk Management

The District faces a 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. A variety of methods are used to provide insurance for these risks.

The District has insurance coverage through PayneWest Insurance for property and content damage and professional liability. Due to the lack of coverage available, the District has no coverage for potential losses from environmental damages. Settled claims resulting from these risks did not exceed commercial insurance coverage during the period ended December 31, 2014.

Note E. Economic Dependency

During the year ended December 31, 2014, the District received 53% and 46% from contracts and special assessments, respectively. The loss of either funding mechanism would result in the need for significant changes to the operations of the District.

Note F. Contingent Liabilities

The District participates in a federally funded contract through the Bureau of Indian Affairs and the Crow Tribe that is subject to audit and adjustment by the contracting agency. Such audits of these contracts, if any, for or including the year ended December 31, 2014, have not yet been conducted. Accordingly, the District's compliance with applicable contract requirements for those programs if audited by the federal agency will be established at some future date. The amount, if any, of expenditures which may be disallowed by the funding agency cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

OTHER REQUIRED INFORMATION

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

June 03, 2015

The Board of Directors
Big Horn Irrigation District
Hardin, Montana

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, the financial statements of Big Horn Irrigation District as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Big Horn Irrigation District's basic financial statements, and have issued our report thereon dated June 03, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Horn Irrigation District's internal control over financial reporting (internal control) 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 Big Horn Irrigation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Horn 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.

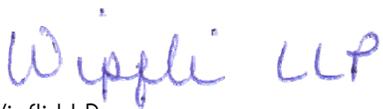
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Big Horn 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.


Wipfli LLP
Billings, Montana

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses?

_____ Yes X No

Noncompliance material to the financial statements noted?

_____ Yes X No

Section II - Financial Statement Findings

None

Section III - Prior Year Audit Findings

None