

**GOODAN-KEIL COUNTY
WATER DISTRICT
MISSOULA, MONTANA**

AUDIT REPORT

DECEMBER 31, 2013 and 2014

**GOODAN-KEIL COUNTY WATER DISTRICT
MISSOULA, MONTANA
December 31, 2013 and 2014**

TABLE OF CONTENTS

Organization – Board of Directors.....	1
Independent Auditor’s Report.....	2
Management’s Discussion and Analysis	4
Financial Statements:	
Statements of Net Position.....	9
Statements of Revenues, Expenses and Changes in Fund Net Position	10
Statements of Cash Flows.....	11
Notes to the Financial Statements.....	12
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>	17
Schedule of Findings and Responses.....	19

**GOODAN-KEIL COUNTY WATER DISTRICT
MISSOULA, MONTANA
Organization
December 31, 2013 and 2014**

BOARD OF DIRECTORS

Gordon Hughes, President
Alan Bronec
Pri Fernando
Aaron Foster
Steve Rossiter

Nicole M. Noonan, CPA, P.C.

435 Little Mill Creek Road

St. Regis, Montana 59866

Phone and FAX: (406) 649-2436

Cell phone: (406) 239-4260

E-mail: noonanaccounting@hotmail.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Goodan-Keil County Water District
Missoula, Montana

Report on the Financial Statements

I have audited the accompanying financial statements of Goodan-Keil County Water District, Missoula, Montana, as of and for the years ended December 31, 2013 and 2014, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goodan-Keil County Water District, Missoula, Montana as of December 31, 2013 and 2014, and the changes in financial position, and cash flows thereof for the years 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 4 through 8 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2015, on my consideration of Goodan-Keil County Water District, Missoula, Montana's internal control over financial reporting and on my 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 my 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 Goodan-Keil County Water District, Missoula, Montana's internal control over financial reporting and compliance.

Nicole M. Noonan, CPA, P.C.

Nicole M. Noonan, CPA, P.C.
St. Regis, Montana
June 30, 2015

GOODAN-KEIL COUNTY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEARS 2013 AND 2014

Introduction:

As management of the Goodan-Keil County Water District (also referred to as "the District"), we have prepared this "Management Discussion and Analysis Report" to accompany the financial audit for fiscal years ended December 31, 2013 and December 31, 2014. This narrative overview and analysis provides supplemental information as to the financial operations of the organization; provides information about the District's ability to meet its current and long-term obligations; and describes how the District is achieving its objectives of providing water service, the sole purpose of the District.

We encourage readers to consider the information presented here in conjunction with additional information that is presented as part of the audit report.

Financial Highlights for Fiscal Year 2013:

- The assets of the District exceeded its liabilities at the close of Fiscal Year 2013 by \$607,949 (Net Position).
- Bond Debt balance ending Fiscal Year 2013 was \$378,999.
- Cash funds increased by \$9,954 during the fiscal year (\$115,559 in FY2012 to \$125,514 in FY 2013). Of this amount \$46,744 is restricted to meet the district's revenue bond debt obligation.
- Accounts Payable at year end was \$0.
- Accounts Receivable at year end was \$5,503, or 7% of operating revenue.
- Total Operating Revenue for the year was up \$3,003 (\$72,523 in FY 2012 to \$75,526 in FY 2013).
- Total Operating Expenses, for the year were up \$2,420 (\$29,531 in FY 2012 to \$31,951 in FY 2013 excluding depreciation).
- The net effect of operating revenue and expenses was a net operating loss of \$5,444.

Revenue: Debt assessment charge is \$37 per lot per month; or \$38,628, 51% of operating revenue; these amounts are restricted and reserved. Charges for services were \$34,021, 45% of operating revenue. A new Maintenance fee of \$3.37 assessed for repair and replacement of short-lived assets was approved mid-year by the Board of Directors; this resulted in \$2,052, 3% of operating revenue. The remaining 1% of operating revenue is late payment charges and Misc Revenue of \$825. For comparison purposes: Charges for services in FY 2012 were \$32,970, also 45% of operating revenue.

Other Revenue: The District had no other sources of revenue in FY 2013.

Expenses: Total operating expenses for FY2013 consisted of \$49,019 for depreciation of assets and \$31,951 for operating expenses. All expense categories are visible on the Statement of Revenue, Expenses, and Changes in Net Position.

Financial Highlights for Fiscal Year 2014:

- The assets of the District exceeded its liabilities at the close of Fiscal Year 2014 by \$602,939 (Net Position).
- The Revenue Bond debt interest rate was refinanced, from 2.75% to 2.25% in May 2014, costing \$1,500. This results in a savings of \$14,500 over the remaining debt service period.
- Bond Debt balance ending Fiscal Year 2014 was \$358,000.
- Cash funds increased by \$20,530 during the fiscal year (\$125,514 in FY 2013 to \$146,044 in FY 2014). Of this amount \$51,946 is restricted to meet the district's revenue bond debt obligation.
- Accounts Payable at year end was \$0.
- Accounts Receivable at year end was \$5,274 or 7% of operating revenue.
- Total Operating Revenue for the year was up \$3,151 (\$75,526 in FY 2013 to \$78,677 in FY 2014).
- Total Operating Expenses, for the year were down \$6,461 (\$31,951 in FY 2013 to \$25,490 in FY 2014 excluding depreciation).
- The net effect of operating revenue and expenses was a net operating gain of \$4,296.

Revenue: Debt assessment charge is \$37 per lot per month; or \$38,628, 49.1% of operating revenue; these amounts are restricted and reserved. Charges for services were \$34,232, 43.5% of operating revenue. The Maintenance fee assessed for repair and replacement of short-lived assets of \$3.37 was increased mid-year to \$6; this resulted in \$5,120, 6.5% of operating revenue. The remaining 0.9% of operating revenue is late payment charges and Misc Revenue of \$697. For comparison purposes: Charges for services in FY 2013 were \$34,021, 45% of operating revenue.

Other Revenue: The District had no other sources of revenue in FY 2014.

Expenses: Total operating expenses for FY2014 consisted of \$48,891 for depreciation and \$25,490 for operating expenses. All expense categories are visible on the Statement of Revenue, Expenses, and Changes in Net Position.

Overview of the Financial Statements:

This "Management Discussion and Analysis Report" is intended to serve as an introduction to and to supplement the District's audited financial statements. There are three main financial statements contained within the overall audit report: "Statement of Net Position," "Statement of Revenue, Expenses and Changes in Net Position," and "Statement of Cash Flows."

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

The Statement of Revenue, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (accrual vs. cash reporting).

The Statement of Cash Flows presents information by segment, of the District's sources of cash and how the District utilized the available cash to meet the District's objectives of providing reliable water service to our customers.

Fund Financial Statements

The Goodan-Keil County Water District is an Enterprise Fund with one operating purpose: to provide a reliable community water system to the district's membership. The financial accounts include segregated fund balances for restricted and unrestricted cash. Restricted funds are for servicing long term debt and unrestricted funds are for operating the water system. The restricted funds consist of debt service reserves required by the terms set forth in the Revenue Bond document.

Budgetary and Financial Management

The District's Board of Directors approves an annual operating budget, for management purposes, for each fiscal year beginning January 1st. Year-to-date, previous period comparisons, and current account balances are reviewed at each Director's meeting.

Capital Assets:

Fixed assets include Depreciable and Non-depreciable Capital Assets. Depreciable assets are the water system in general totaling \$796,500 for FY2013 and \$748,176 for FY 2014 net of accumulated depreciation. Non-depreciable assets totaled \$64,508 for FY 2013 and \$64,931 for FY 2014. The details of changes to Capital Assets are seen in the Notes to Financial Statements contained within the overall audit report.

Capital Expenditures:

Expenditures that provide for new easements, and/or plant and equipment for high priced repair items are not deducted on the income statement. They show up on the "Balance Sheet" because they are capitalized rather than expensed and are added to the assets of the District.

For FY 2013, a notable change is the cost incurred for replacing failing meters totaling \$2,056, \$4 more than the annual Maintenance Assessment.

For FY 2014, a notable change is the cost incurred for replacing failing meters totaling \$1,057 and 2 spare meters on hand \$423.

Debt Administration:

The Revenue Bond debt is a long term liability (20 year payback at an interest rate of 2.25%). A restricted reserve against the highest fiscal year (State of MT FY basis) payment is required to be maintained per the Bond covenants. Amounts due in the current FY for debt service are paid by assessments collected in advance of the due date.

A resolution in 2004 deferred payments to Directors, entered as a Liability and as a Prior Year Adjustment for FY 2011. In FY 2013, the Other Current liability of \$30,000 for Directors' Fees is removed, as payment of those accrued fees has been waived. Current fees are no longer owed and will no longer accrue per a change to the By Laws.

Economic factors and next year's budgets and rates:

The District is in good financial shape. The prevailing water rates & charges should be sufficient to operate the water district and service the existing debt. The reduction in the Bond Debt interest rate and the introduction of the Maintenance Assessment help ensure costs are met by available funds and reduce the risk of future borrowing.

There is potential to service "out-of-District" customers. This could generate additional revenue and affect rates and charges in future years. Generally, more users equate to lower costs per user. For FY 2013 and FY 2014 there are 87 lots (82 customer accounts) in the District and all are within the District boundaries.

Delayed repairs for the information kiosk and the pump shed are budgeted for FY 2015.

The Board reviews rates and fees annually to assure rates and fees are sufficient to operate the District in a responsible manner for the upcoming period.

Contacting the District's Financial 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 Goodan-Keil County Water District, P.O. Box 16093, Missoula, Montana 59808.

**GOODAN-KEIL COUNTY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Fiscal Year:	<u>2013</u>	<u>2014</u>
REVENUES		
Charge for Services	\$ 75,526	\$ 78,677
Director's Fee Write-off	30,000	-
Interest on Investment	<u>3</u>	<u>3</u>
Total Revenue	<u>105,529</u>	<u>78,680</u>
EXPENSES		
Cost of Services	31,951	25,490
Interest on Debt	10,560	8,819
Depreciation and Loss on Disposal	<u>49,885</u>	<u>49,381</u>
Total Expenses	<u>92,396</u>	<u>83,690</u>
Change in Net Position	13,133	(5,010)
Net Position on Jan 1st	<u>594,816</u>	<u>607,949</u>
Net Position on Dec 31st	<u>\$ 607,949</u>	<u>\$ 602,939</u>

**GOODAN-KEIL COUNTY WATER DISTRICT
STATEMENT OF NET POSITION**

	<u>2013</u>	<u>2014</u>
Current and other Assets	\$ 131,851	\$ 152,163
Capital Assets	<u>861,008</u>	<u>813,107</u>
Total Assets	<u>\$ 992,859</u>	<u>\$ 965,270</u>
Current and other Liabilities	\$ 5,911	\$ 4,331
Bonds Payable	<u>378,999</u>	<u>358,000</u>
Total Liabilities	<u>384,910</u>	<u>362,331</u>
Net Position:		
Net Investment in Capital Assets	482,009	455,107
Unrestricted Funds	79,196	95,886
Restricted Funds	<u>46,744</u>	<u>51,946</u>
Total Net Position	<u>607,949</u>	<u>602,939</u>
Total Liabilities & Net Position	<u>\$ 992,859</u>	<u>\$ 965,270</u>

BASIC

FINANCIAL

STATEMENTS

GOODAN-KEIL COUNTY WATER DISTRICT, MISSOULA, MONTANA

**Statements of Net Position
December 31, 2013 and 2014**

	<u>2013</u>	<u>2014</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 78,770	\$ 94,097
Accounts Receivable	5,503	5,274
Prepaid Expense	834	846
Total Current Assets	<u>85,107</u>	<u>100,217</u>
Noncurrent Assets		
Restricted Cash	46,744	51,946
Nondepreciable Capital Assets	64,508	64,931
Depreciable Capital Assets	<u>796,500</u>	<u>748,176</u>
Total Noncurrent Assets	<u>907,752</u>	<u>865,053</u>
 TOTAL ASSETS	 <u>992,859</u>	 <u>965,270</u>
 <u>LIABILITIES</u>		
Current Liabilities		
Prepaid Revenue	700	303
Interest Payable	5,211	4,028
Revenue Bonds - Due in Less Than One Year	<u>20,000</u>	<u>22,000</u>
Total Current Liabilities	<u>25,911</u>	<u>26,331</u>
Long-term Liabilities		
Revenue Bonds - Due After One Year	<u>358,999</u>	<u>336,000</u>
 TOTAL LIABILITIES	 <u>384,910</u>	 <u>362,331</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	482,009	455,107
Restricted for Debt Service	46,744	51,946
Unrestricted	<u>79,196</u>	<u>95,886</u>
 TOTAL NET POSITION	 <u>\$ 607,949</u>	 <u>\$ 602,939</u>

See Accompanying Notes to the Financial Statements.

GOODAN-KEIL COUNTY WATER DISTRICT, MISSOULA, MONTANA
Statements of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<u>OPERATING REVENUE</u>		
Charges for Service	\$ 75,526	\$ 78,677
<u>OPERATING EXPENSES</u>		
Office Supplies	91	106
Postage and Delivery	574	402
Website	15	177
Printing	14	-
Publicity and Advertising	5	-
Financial Services Contract	7,285	5,970
Audit	4,600	-
Insurance	1,493	1,530
Legal Services	-	1,500
Mileage	498	492
Meetings	25	-
Bank Fees	156	156
DEQ/DNRC/MT Fees	158	158
Utilities	10,346	11,411
Laboratory Fees	509	-
Repairs and Maintenance	2,182	1,619
Operators Contract	4,000	1,969
Depreciation	49,019	48,891
Total Operating Expenses	80,970	74,381
 OPERATING INCOME (LOSS)	 (5,444)	 4,296
<u>NON-OPERATING REVENUE (EXPENSE)</u>		
Interest Earned	3	3
Director's Fee Write-off	30,000	-
Interest Expense	(10,560)	(8,819)
Loss on Disposal of Capital Assets	(866)	(490)
Total Non-Operating Revenue (Expense)	18,577	(9,306)
 Change In Net Position	 13,133	 (5,010)
 Net Position, Beginning of Year	 594,816	 607,949
 Net Position, End of Year	 \$ 607,949	 \$ 602,939

See Accompanying Notes to the Financial Statements.

GOODAN-KEIL COUNTY WATER DISTRICT, MISSOULA, MONTANA

Statements of Cash Flows

For The Years Ended December 31, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers	\$ 74,794	\$ 78,509
Payments to Suppliers of Goods or Services	<u>(31,952)</u>	<u>(25,502)</u>
Net Cash Provided by Operating Activities	<u>42,842</u>	<u>53,007</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital Asset Purchases	(2,055)	(1,480)
Interest Paid	(10,835)	(10,002)
Loan Principal Paid	<u>(20,000)</u>	<u>(20,999)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(32,890)</u>	<u>(32,481)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Earned	<u>3</u>	<u>3</u>
Net Change in Cash and Cash Equivalents	9,955	20,529
Cash and Cash Equivalents, Beginning of Year	<u>115,559</u>	<u>125,514</u>
Cash and Cash Equivalents, End of Year	<u>\$ 125,514</u>	<u>\$ 146,043</u>
<u>Reconciliation of Cash and Cash Equivalents to Statement of Net Position</u>		
Cash	\$ 78,770	\$ 94,097
Restricted Cash	<u>46,744</u>	<u>51,946</u>
Cash and Cash Equivalents	<u>\$ 125,514</u>	<u>\$ 146,043</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>		
Operating Loss	\$ (5,444)	\$ 4,296
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	49,019	48,891
Decrease (Increase) in Accounts Receivable	(819)	229
Decrease (Increase) in Prepaid Expense	(1)	(12)
Increase (Decrease) in Prepaid Revenue	<u>87</u>	<u>(397)</u>
Net Cash Provided by Operating Activities	<u>\$ 42,842</u>	<u>\$ 53,007</u>

Disclosure of Non-Cash Transactions:

In 2013 and 2014, the District had a loss on disposal of capital assets of \$866 and \$490, respectively. In 2013, the District wrote-off director's fees in the amount of \$30,000.

See Accompanying Notes to the Financial Statements.

GOODAN-KEIL COUNTY WATER DISTRICT
MISSOULA, MONTANA
Notes to the Financial Statements
December 31, 2013 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the District are presented below.

a. The Reporting Entity

The Goodan-Keil County Water District was formed in October 2004 under Montana law as a county water district. In 2008, grants and a loan were received to make improvements to the water system, mains, lines and storage tank that serve the District. The District is not a component unit of any other government.

b. Basis of Presentation

The statement of net position presents the financial condition of the District at year end. The statement of revenues, expenses and fund net position presents the activity incurred during the year and the statement of cash flows presents the cash inflows and outflows for the year. The District has one fund, which is an enterprise fund.

c. Basis of Accounting

The accounting policies of the District conform to U.S. generally accepted accounting principles. As an enterprise fund, the financing and operation are similar to private business enterprises. The intent of the governing body is to recover costs of providing goods and services to the District on a continuing basis primarily through user charges. The accrual basis of accounting is followed and under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. All assets and liabilities are included on the statement of net position. Operating revenues are primarily charges to customers for services. Revenues not meeting this definition are generally classified as non-operating revenues.

d. Budget

Preparation of a budget is not required by state law for water districts. The District annually adopts an operating budget for management purposes.

e. Accounts Receivable

Amounts due from customers for water service are recorded as accounts receivable. No allowance is made for uncollectible accounts because all accounts are considered collectible. The District can have past due balances added to the property taxes or shut off water to the residence.

f. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and demand deposits, including restricted cash.

GOODAN-KEIL COUNTY WATER DISTRICT
MISSOULA, MONTANA
Notes to the Financial Statements
December 31, 2013 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Capital Assets

All capital assets purchased or constructed by the District are recorded at historical cost. Items with a cost of less than \$1,000 are expensed when purchased.

h. Depreciation

Depreciation is provided over the estimated useful life of capital assets using the straight-line method. The useful lives of the assets have been determined as follows:

Improvements Other Than Buildings	10 Years
Transmission and Distribution	15-40 Years
Source of Supply	30 Years
Pumping Plant	15 Years

2. CASH AND CASH EQUIVALENTS

The District's cash is kept in demand accounts. The District does not have a formal investment policy, but limits its exposure to credit risk (the risk that an issuer or other counter party to an investment will not fulfill its obligation) by following state law.

State law limits the types of investments of public money allowed by local governing bodies, including that of water districts. Generally, only the following investments are permitted: U.S. Government treasury bills, notes and bonds; obligations of specific U.S. Government agencies; specific Government security money market funds; time or savings deposits with banks, savings and loan associations or credit unions in Montana and the State short-term investment pool. At December 31, 2013 and 2014, the District had savings deposits with banks of \$70,052 and \$69,201, respectively.

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned or the District will not be able to recover the collateral securities in the possession of the outside party. The District minimizes custodial credit risk by restrictions set forth in State law. At December 31, 2013 and 2014, the carrying amount of the District's deposits with local financial institutions was \$125,514 and \$146,043, and the bank balances were \$126,171 and \$146,695, respectively. The bank balances were fully covered by federal depository insurance.

GOODAN-KEIL COUNTY WATER DISTRICT
MISSOULA, MONTANA
Notes to the Financial Statements
December 31, 2013 and 2014

3. CAPITAL ASSETS

Changes in Capital Assets for the year ended December 31, 2013:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Nondepreciable Capital Assets:				
Easements	\$ 61,635	\$ -	\$ -	\$ 61,635
General Plant Stores	<u>2,873</u>	<u>-</u>	<u>-</u>	<u>2,873</u>
Total Nondepreciable Capital Assets	<u>\$ 64,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,508</u>
Depreciable Capital Assets:				
Improvements Other than Buildings	\$ 67,185	\$ -	\$ -	\$ 67,185
Source of Supply	58,580	-	-	58,580
Pumping Plant	146,739	-	-	146,739
Transmission and Distribution	1,487,033	2,055	(1,154)	1,487,934
Less: Accumulated Depreciation	<u>(915,207)</u>	<u>(49,019)</u>	<u>288</u>	<u>(963,938)</u>
Total Depreciable Capital Assets	<u>\$ 844,330</u>	<u>\$ (46,964)</u>	<u>\$ (866)</u>	<u>\$ 796,500</u>

Changes in Capital Assets for the year ended December 31, 2014:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Nondepreciable Capital Assets:				
Easements	\$ 61,635	\$ -	\$ -	\$ 61,635
General Plant Stores	<u>2,873</u>	<u>423</u>	<u>-</u>	<u>3,296</u>
Total Nondepreciable Capital Assets	<u>\$ 64,508</u>	<u>\$ 423</u>	<u>\$ -</u>	<u>\$ 64,931</u>
Depreciable Capital Assets:				
Improvements Other than Buildings	\$ 67,185	\$ -	\$ -	\$ 67,185
Source of Supply	58,580	-	-	58,580
Pumping Plant	146,739	-	-	146,739
Transmission and Distribution	1,487,934	1,057	(700)	1,488,291
Less: Accumulated Depreciation	<u>(963,938)</u>	<u>(48,891)</u>	<u>210</u>	<u>(1,012,619)</u>
Total Depreciable Capital Assets	<u>\$ 796,500</u>	<u>\$ (47,834)</u>	<u>\$ (490)</u>	<u>\$ 748,176</u>

GOODAN-KEIL COUNTY WATER DISTRICT
MISSOULA, MONTANA
Notes to the Financial Statements
December 31, 2013 and 2014

4. LONG-TERM DEBT

Changes in long-term debt for the year ended December 31, 2013 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 398,999	\$ -	\$ (20,000)	\$ 378,999	\$ 20,000

Changes in long-term debt for the year ended December 31, 2014 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 378,999	\$ -	\$ (20,999)	\$ 358,000	\$ 22,000

The District issued a \$475,000 in DNRC Drinking Water Revenue Bond in 2008 to finance improvements to the District's water system. The bond was issued at par, bearing interest of 2.75%, maturing June 2028. In May 2014, the District amended and restated their Series 2008 Bond, reducing the interest rate to 2.25%. The result of the amendment was a reduction in total debt service interest payments of \$14,664. The cost of the amendment was \$1,500. All other bond provisions remained the same. The bond is secured by all gross revenues and receipts from water rates, fees, and charges. These revenues are pledged for bond repayment until the bonds mature. For 2013 and 2014, principal and interest payments on the revenue bonds were \$30,835 and \$31,001, respectively, with pledged revenues of \$75,526 and \$78,677, respectively.

At December 31, 2014, the annual requirements to amortize the revenue bonds were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 22,000	\$ 7,933	\$ 29,933
2016	22,000	7,436	29,436
2017	22,000	6,941	28,941
2018	24,000	6,435	30,435
2019	24,000	5,895	29,895
2020	24,000	5,355	29,355
2021	26,000	4,804	30,804
2022	26,000	4,219	30,219
2023	26,000	3,634	29,634
2024	27,000	3,048	30,048
2025	28,000	2,430	30,430
2026	28,000	1,799	29,799
2027	28,000	1,170	29,170
2028	31,000	529	31,529
Total	<u>\$ 358,000</u>	<u>\$ 61,628</u>	<u>\$ 419,628</u>

GOODAN-KEIL COUNTY WATER DISTRICT
MISSOULA, MONTANA
Notes to the Financial Statements
December 31, 2013 and 2014

4. LONG-TERM DEBT (Continued)

The bond resolution contains a number of covenants and requirements. The agreements for the water revenue bonds require the District to maintain adequate rates and charges; maintain certain cash accounts; maintain cash reserve accounts; provide customary types of insurance; maintain a net revenue to debt payment ratio of 120% and provide annual reports. The District was in substantial compliance with these provisions. For 2013 and 2014, the District's net revenue to debt payment ratio was 138% and 173%, respectively.

5. RISK MANAGEMENT

The District faces a considerable number of risks of loss, including: (a) damage to and loss of property and contents; (b) professional liability, i.e., errors and omissions; and (c) environmental damage. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for relatively small deductible amounts, are purchased for general liability, property and contents damage, and tort liability. Given the lack of coverage available, the District has no coverage for potential losses from environmental damages.

Nicole M. Noonan, CPA, P.C.

435 Little Mill Creek Road

St. Regis, Montana 59866

Phone and FAX: (406) 649-2436

Cell phone: (406) 239-4260

E-mail: noonanaccounting@hotmail.com

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*

Board of Directors
Goodan-Keil County Water District
Missoula, Montana

I 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 Goodan-Keil County Water District, Missoula, Montana, as of and for the years ended December 31, 2013 and 2014, and the related notes to the financial statements, which collectively comprise Goodan-Keil County Water District, Missoula, Montana's basic financial statements and have issued my report thereon dated June 30, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Goodan-Keil County Water District, Missoula, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Goodan-Keil County Water District, Missoula, Montana's internal control. Accordingly, I do not express an opinion on the effectiveness of Goodan-Keil County Water District, Missoula, Montana's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Goodan-Keil County Water District, Missoula, Montana's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Goodan-Keil County Water District, Missoula, Montana's Response to Findings

Goodan-Keil County Water District, Missoula, Montana's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Goodan-Keil County Water District, Missoula, Montana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Nicole M. Noonan, CPA, P.C.

Nicole M. Noonan, CPA, P.C.
St. Regis, Montana
June 30, 2015

**GOODAN-KEIL COUNTY WATER DISTRICT
MISSOULA, MONTANA
Schedule of Findings and Responses
December 31, 2013 and 2014**

2014-001 Prior Period Adjustments

Prior period adjustments are used to correct beginning net position when an error in prior period financial statements is discovered. During 2013, the write-off of director's fees was recorded as a prior period adjustment. Since the write-off was approved in 2013 the removal of the \$30,000 liability should have been recorded as current period revenue. The misclassification of the transaction as a prior period adjustment resulted in an understatement of 2013 revenues of \$30,000. This was an unusual transaction for the District so a lack of knowledge of generally accepted accounting principles regarding the use of prior period adjustments resulted in this error. In the future, prior period adjustments should only be used to correct errors that have occurred in closed accounting periods.

District Response

The District agrees with the adjustment and has posted it to our records.

Nicole M. Noonan, CPA, P.C.

435 Little Mill Creek Road

St. Regis, Montana 59866

Phone and FAX: (406) 649-2436

Cell phone: (406) 239-4260

E-mail: noonanaccounting@hotmail.com

June 30, 2015

Board of Directors
Goodan-Keil County Water District
Missoula, Montana

In planning and performing my audit of the financial statements of Goodan-Keil County Water District for the years ended December 31, 2013 and 2014, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. This letter does not affect my report on those financial statements dated June 30, 2015.

However, I noted certain matters involving internal control and its operation that I consider opportunities for improvement. These and other matters are summarized below.

Minutes

Minutes of the meetings of the board of directors should be maintained to document the governing board activities and should be available to the public if requested. During the audit, the minutes for the June 2013 meeting could not be located. These minutes were not presented to the board at the following meeting so they did not get included in the minute book maintained by the outside contractor. Per inquiry, these minutes were read aloud in a following meeting, but not handed out, so they were not adequately documented for later review. Procedures should be implemented to ensure that all minutes are maintained and available to the public for review.

District Response

The district will take appropriate steps to maintain minutes for public review.

* * * * *

This letter is intended solely for the information and use of the Board of Directors, others in the entity, and the State of Montana and is not intended to be and should not be used by anyone other than these specified parties.

Nicole M. Noonan, CPA, P.C.

Nicole M. Noonan, CPA, P.C.