

MISSION IRRIGATION DISTRICT

LAKE COUNTY, MONTANA

Year Ended December 31, 2014

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MISSION IRRIGATION DISTRICT

LAKE COUNTY, MONTANA

Year Ended December 31, 2014

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MISSION IRRIGATION DISTRICT

LAKE COUNTY, MONTANA

ORGANIZATION

Year Ended December 31, 2014

**BOARD OF DIRECTORS OF THE
FLATHEAD JOINT BOARD OF CONTROL**

Boone Cole
Wayne Blevins
Shane Orien
Ted Hein

Chairperson
Vice Chairperson
Secretary/Treasurer
Member at Large

DISTRICT COMMISSIONERS

Tim Orr
Gene Posivio
Jerry Laskody
Kristin Omgvig
Johanna Clark

Commissioner
Commissioner
Commissioner
Attorney of Record
Executive Manager

**Mission Irrigation District, Lake County, Montana
Management Discussion and Analysis for Year Ending December 31, 2014**

Purpose

Flathead Joint Board of Control of the Mission, Jocko and Flathead Irrigation District(s), a municipal government entity of Lake, Sander and Missoula County. The District exists for the purpose of fee-land irrigation utilizing the Flathead Irrigation Project for irrigation water delivery. The District has three Commissioners representing the Mission Irrigation District.

Rates

Administration tax assessment is currently assessed at (\$5.00) five dollars per irrigated fee-land acre as reported by the Flathead Irrigation Project.

Operation and Maintenance tax assessment is currently assessed at (\$26.00) twenty-six dollars per irrigated fee-land acre as reported by the Flathead Irrigation Project.

Fiscal Year 2014 Assessments

<u>District</u>	<u>Acreage</u>	<u>Rate of Assessment</u>	<u>Total Revenue</u>
Mission Irrigation Adm	15,090.37	5.00 p/a	\$75,451.85
Mission O&M	15,090.37	26.00 p/a	392,349.62

Financial

This annual report consists of a series of financial statements. The Statement of Assets and Liabilities Arising From Cash Transactions and the Statement of Revenues Collected and Expenses Paid provide information about the activities of the Administration and Operation and Maintenance Fund.

MID Administrative – Table 1

Income/Expense	Jan – Dec 2014	Jan – Dec 2013	\$ Change
Revenue Collected	\$125,298	\$92,159	\$33,139
Interest Collected	\$4,127	\$624	\$3,503
Expenses Paid	(\$64,766)	(\$126,730)	\$61,964
Change in Cash Balance	\$64,659	(\$33,947)	\$98,606

MID Operating and Maintenance – Table 2

Income/Expense	Jan – Dec 2014	Jan – Dec 2013	\$ Change
Revenue Collected	\$410,760	\$397,501	\$13,259
Interest Collected	\$1,904	\$1,344	\$560
Expenses Paid	(\$205,385)	(\$396,784)	\$191,399
Change in Cash Balance	\$207,279	\$2,061	\$205,218

MID Administration & O&M Combined – Table 3

Income/Expense	Jan – Dec 2014	Jan – Dec 2013	\$ Change
Revenue Collected	\$536,058	\$489,660	\$46,398
Interest Collected	\$6,031	\$1,968	\$4,063
Expenses Paid	(\$270,151)	(\$523,514)	\$55,390
Change in Cash Balance	\$271,938	\$-31,886	\$105,851

**Statement of Cash Balance –
Mission Irrigation Admin and O&M Accounts**

Ending Cash Flow Balance	Jan - Dec 2014	Jan - Dec 2013	\$ Change
MID Adm	\$86,721	\$22,037	\$64,684
MID O&M	\$314,106	\$106,827	\$207,279
Totals	\$400,827	\$128,889	\$271,938

As of the end of this year, the District has cash totaling \$400,827 maintained by Lake County. This is an increase of \$271,938 from December 30, 2013.

Future Plans

At this time there are no plans for major improvements or modifications to the system. The financial accounts mentioned above are maintained to provide the resources for repairs to the system as needed.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Secretary at PO Box 639, Saint Ignatius, Montana 59865, (406) 745-2090.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Mission Irrigation District
Lake County
St. Ignatius, Montana

Report on the Financial Statements

We have audited the accompanying financial statements Mission Irrigation District, Lake County, Montana, which comprise the statement of assets and liabilities arising from cash transactions as of December 31, 2014 and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Mission Irrigation District, Lake County, Montana as of December 31, 2014 and its revenue collected and expenses paid during the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 3 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 September 22, 2015, on our consideration of the Mission Irrigation District, Lake County, Montana'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 Mission Irrigation District, Lake County, Montana's internal control over financial reporting and compliance.

Derringer, Downey and Associates, CPAs, P.C.

September 22, 2015

Mission Irrigation District
Lake County, Montana
Statement of Cash Balance and Related Net Position
December 31, 2014

ASSETS

Cash	\$ 400,827
Total assets	\$ <u>400,827</u>

NET POSITION

Unrestricted	\$ 400,827
Total net position	\$ <u>400,827</u>

See accompanying Notes to the Financial Statements

Mission Irrigation District
Lake County, Montana
Statement of Cash Receipts, Cash Disbursements and Ending Cash Balance
For the Year Ended December 31, 2014

Operating

Cash Receipts:

Cash receipts from assessments	\$ 536,058
Total Cash Receipts	\$ <u>536,058</u>

Cash Disbursements:

Cash disbursements for purchased service	\$ 270,151
Total Cash Disbursements	\$ <u>270,151</u>

Excess of operating cash receipts over disbursements \$ 265,907

Non-Operating

Cash receipts from interest	\$ 6,031
Excess non-operating non-operating cash receipts over disbursements	\$ 6,031

Change in Cash Balance \$ 271,938

Cash Balance as of December 31, 2013	\$ 128,889
Cash Balance as of December 31, 2014	\$ <u>400,827</u>

See accompanying Notes to the Financial Statements

MISSION IRRIGATION DISTRICT
LAKE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

In determining the financial reporting entity, the District complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the District appointed a voting majority of the component units' board; the District is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the District complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the District.

Primary Government

The District is a political subdivision of the State of Montana governed by an elected three-member Board of Commissioners as well as by the Flathead Joint Board of Control of the Mission, Jocko and Flathead Irrigation Districts (FJBC). The FJBC serves as the center for the joint operation of the three irrigation districts. The District is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

The District has only one fund, a business-type fund that accounts for the activities to and from external parties for goods or services.

Basis of Presentation, Measurement Focus and Basis of Accounting.

Business-Type Financial Statements:

Basis of Presentation

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Measurement Focus and Basis of Accounting

Business-Type Financial Statements

On the Statement of Assets and Liabilities Arising From Cash Transactions and the Statement of Revenues Collected and Expenses Paid, business activities are presented using the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received and expenses are recorded when paid.

MISSION IRRIGATION DISTRICT
LAKE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on December 30, 2014, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash in banks held at the County:	\$ 400,827
Total	\$ <u>400,827</u>

The Districts cash is held by the County Treasurer and pooled with other County cash. For all District cash which is not necessary for short-term obligations, the District participates in a County-wide investment program whereby all available cash is invested by the County Treasurer in pooled investments. Interest earned on the pooled investment is distributed to each contributing entity and fund on a pro rata basis. The County's investment portfolio as of June 30, 2014 consisted of U.S. Treasury Notes, U.S. Government Securities, Time Deposits and Savings Deposits.

The District does not own specific identifiable investment securities in the pool; therefore, is not subject to categorization. Information regarding credit risk, custodial risk, concentration of credit risk and interest rate risk for Lake County deposits and investments is available from Lake County Treasurer's Office, 106 4th Avenue E, Polson, MT 59860-2125. Fair value approximates carrying value for investments as of December 31, 2014. The Lake County investment pool is not rated.

Cash investments may include cash and cash items; demand, time, savings' and fiscal agent deposits; investments in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the County or of municipalities or school district located in the County; U.S. government treasury bills, notes bond 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 fund meets certain conditions.

MISSION IRRIGATION DISTRICT
LAKE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 3. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Joint Board of Control

On May 27th, 2014, the Flathead, Jocko and Mission Irrigation Districts entered into a contract to create the Flathead Joint Board of Control for the Mission, Jocko and Flathead Irrigation Districts pursuant to MCA Section 85-7-1601. The Joint Board of Control consists of 10 Commissioners representing the three irrigation districts, plus one member at large.

A budget is prepared for the Flathead Joint Board of Control for the revenue to be remitted from the three districts in the ensuing year. Based on this budget, each individual district remits an amount quarterly to the Joint Board from their respective administrative funds for the general and payroll expenditures paid by the Flathead Joint Board of Control.

These expenditures are detailed in the financial statements of the Flathead Joint Board of Control. Reimbursement for expenses was based on the percentage of each district's acreage of the total acreage except for certain payroll expenses which are based on the district for which the employee worked.

NOTE 4. SERVICES PROVIDED TO OTHER GOVERNMENTS

County Provided Services

The District is provided various financial services by Lake County. The County also serves as cashier and treasurer for the District for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the District are accounted for in an agency fund in the District's name and are periodically remitted to the District by the County Treasurer. No service charges have been recorded by the District or the County.

NOTE 5. 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.

MISSION IRRIGATION DISTRICT
LAKE COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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. 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.

NOTE 6. SUBSEQUENT EVENTS

Rate Increase

The Bureau of Indian Affairs, on behalf on the Flathead Irrigation Project, has submitted a 2015-2016 tax assessment proposed increase for Operation and Maintenance, currently set at (\$26.00) twenty six dollars, in the amount of (\$7.50) seven dollars and fifty cents to the Federal Registry for comment and Approval. Total assessment from the Bureau of Indian Affairs would be (\$33.50) thirty three dollars and fifty cents for the Flathead, Jocko and Mission irrigation district recorded irrigated land. The Flathead Joint Board of Control unanimously voted against the raise in assessment as per MCA 85-7-2104 on July 21, 2015 and such board decisions will be communicated to Lake, Sanders and Missoula County for record.

Water Shut-off

The Flathead Indian Irrigation Project began implementing water shut offs in early July 2015 for users who obtain their water from Pablo Reservoir. According to a report issued by the Bureau of Indian Affairs, conditions are only expected to get worse in the coming months. The FIIP expects the lack of precipitation, extreme heat conditions, and high irrigation demands to continue throughout the remaining irrigation season. In an attempt to ensure that all water users share in the water shortage, certain water management actions were deemed necessary.

Threatened Litigation:

As of July 28, 2015 the law firm of Browning, Kaleczyc, Berry & Hoven, P.C. has alleged a claim for unpaid costs and fees against the Mission Irrigation District in the amount of \$65,782.75. The law firm has indicated that they are contemplating the filing of litigation within 90 days of July 28, 2015 to recover alleged unpaid costs and fees.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

**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
Mission Irrigation District
Lake County
St. Ignatius, Montana

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 cash basis financial statements of the Mission Irrigation District, Lake County, Montana, as of and for the year ended December 31, 2014, and the related notes to the financial statements, on the cash basis of accounting, which collectively comprise the Mission Irrigation District's basic financial statements and have issued our report thereon dated September 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mission Irrigation District, Lake County, 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mission Irrigation District, Lake County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Mission Irrigation District's internal control over financial reporting.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described below to be material weaknesses as identified as items 2014-001 and 2014-002.

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. We consider the deficiencies described below to be significant deficiencies as identified as item 2014-003.

2014-001 Segregation of Duties

Condition:

There is inadequate segregation of administrative and accounting duties.

Context:

During our routine internal control testing, we noted that there is only one employee responsible for all accounting and administrative duties such as posting transactions to the system, monthly reconciliation to the County reports, preparing checks and adjustments, preparing payroll checks and reports and preparing minutes records. Checks and billing documents are presented to the Board at monthly meeting for approval and signatures which increases the adequacy of internal controls, however segregation of duties is still lacking.

Criteria:

Proper internal controls require adequate segregation of duties to safeguard assets and prevent material mistakes. Accounting duties should be allocated amongst as many employees as necessary to achieve the appropriate level of checks and balances upon the activities of the individuals included in the accounting process.

Effect:

An internal control weakness in segregation of duties increases the District's vulnerability for misappropriation of funds and improper transactions that will not be detected on a timely basis.

Cause:

The District, like many other entities of a similar size, has limited means available to hire the additional staff required for adequate segregation of duties.

Recommendation:

We recommend that the accounting duties be segregated to the greatest extent possible and that additional personnel be hired if at all possible to help with accounting and/or administrative duties.

Auditee Response:

Due to limited funding and entity size there are no additional funds available for the employment of additional staff for fiscal year 2015. It is the intention of the Irrigation Districts to retain bookkeeping and payroll services of a separate entity for fiscal year 2015 on a quarterly basis.

2014-002 Internal Controls Over Cash Disbursements

Condition:

Supporting documentation for all checks has not been maintained, therefore internal controls set in place over cash disbursements cannot be adequately tested and internal controls over documentation are not adequate. In addition there were payroll checks that had incorrect description information that indicated they were written for a pay period that occurred after the date of the check. There were also a couple of duplicate check numbers for different disbursements.

Context:

During our routine audit process of testing internal controls over cash disbursements, we noted that the District does not have all supporting documentation for all checks written during the year.

Criteria:

An adequate internal control system over cash disbursements would keep record of all supporting documentation for all checks issued during the year. This includes but is not limited to invoices, billing statements, credit card statements and receipts to support credit card expenditures, receipts for items such as travel expenses and payroll timesheet documentation that is approved and signed off on.

Effect:

A large amount of supporting documentation for expenditures is not available for review and indicates inadequate internal controls over the management of supporting documentation. Therefore we cannot test that all internal controls set in place over disbursements are functioning correctly and whether there is an adequate amount of controls overall.

Cause:

Although the checks and supporting documentation were presented monthly to the Board for review and approval, the supporting documentation was not maintained as record in order to support the expenses. Therefore we could not perform adequate testing on the controls set in place over cash disbursements. In addition, there were errors in descriptions on paychecks that were not caught by review, indicating that the internal controls for the review process were not adequate enough to catch the error.

Recommendation:

We recommend that the District require all employees and independent contractors to provide documentation for any travel or other expenses incurred that are to be reimbursed. Supporting documentation such as invoices or billing statements from all person's and entity's to receive payment from the District should have an indicator that the expense was approved. An example of an indicator of approval would be for the individual(s) reviewing checks and supporting documentation to initial the supporting documentation. In addition, dollar amounts of checks and the payee they are written to must match the total amount and payee of the supporting documentation as well as the information input into the accounting system. All supporting documentation should be kept on file in a packet that includes a copy of the cleared check.

Auditee Response:

For fiscal year 2015, the District has implemented new interoffice procedures allowing office personnel to scan daily documents, receipts, etc. Such procedural changes of interoffice policy will allow for electronic storage of all documentation as it relates to the District.

It is the intention of the District to acquire additional training for all office personnel that would assist in proper financial data reporting as it relates to payroll and financial records.

2014-003 Payroll Taxes Not Withheld**Condition:**

A check for wages that was paid during 2014 did not have any payroll taxes withheld and there is no supporting documentation for the check.

Context:

During testing of all checks paid during 2014, it was noted that most supporting documentation was not kept on file and that a check for reimbursement of wages was made without any payroll taxes being withheld and paid to the appropriate taxing agencies.

Criteria:

It is a requirement of the various federal and state taxing agencies that wages of District employees must have payroll taxes such as FICA, federal unemployment and state unemployment withheld for each employee. Both the employee and employer portions of taxes owed are required to be paid monthly, quarterly or annually to the applicable taxing agencies.

Effect:

An estimated total of about \$265 in FICA, federal unemployment and state unemployment taxes were not withheld and paid to the federal and state taxing agencies for wages paid in 2014.

Cause:

Lack of District's knowledge of payroll tax requirements for withholdings and reporting caused this error along with lack of internal controls over cash disbursements.

Recommendation:

We recommend that the District ensure that all supporting documentation is maintained going forward for all payroll checks and that payroll taxes being withheld are double checked for accuracy. We recommend that payroll tax errors from 2014 be corrected and paid as soon as possible.

Auditee Response:

All fiscal 2014 errors found will be corrected. It is the intention of the District to acquire additional training for all office personnel that would assist in proper financial data reporting as it relates to payroll and board financial records.

Compliance and Other Matters

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

Mission Irrigation District's Response to Findings

Mission Irrigation District's response to the findings identified in our audit is described above. Mission Irrigation District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

Denning, Downey and Associates, CPA's, P.C.

September 22, 2015