

**SUN PRAIRIE VILLAGE COUNTY WATER  
AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**FINANCIAL STATEMENTS**

**AS OF**

**DECEMBER 31, 2017**

Our reports are issued with the understanding that, without our consent, they may be reproduced only in their entirety. Should it be desired to issue or publish a condensation or a portion of this report and our name is to be used in connection therewith, our approval must first be secured.

***Douglas Wilson & Company, P.C.***

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**TABLE OF CONTENTS**

---

**INTRODUCTORY SECTION:**

LETTER OF TRANSMITTAL ..... 1  
BOARD OF DIRECTORS AND ADMINISTRATIVE OFFICIALS ..... 2

**FINANCIAL SECTION:**

INDEPENDENT AUDITOR'S REPORT ..... 3-4  
MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 5-9  
STATEMENT OF NET POSITION ..... 10  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION ..... 11  
STATEMENT OF CHANGES IN CASH FLOWS ..... 12  
NOTES TO THE FINANCIAL STATEMENTS ..... 13-20  
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* ..... 21-22

---



**Sun Prairie Village  
County Water & Sewer District**  
1047 Grant Drive  
Great Falls, MT 59404  
(406) 965-3944

---

**LETTER OF TRANSMITTAL**

July 2, 2018

Citizens of Sun Prairie Village County Water and Sewer District  
Board of Directors Sun Prairie Village County Water and Sewer District  
Great Falls, Montana

I am pleased to submit the Comprehensive Annual Financial Report of the Sun Prairie Village County Water and Sewer District, Great Falls, Montana for the year ended December 31, 2017. Management is responsible for both the accuracy and the presented data and the completeness and fairness of the presentation, including all disclosures. It is believed that the data presented is accurate in all material aspects, presented in a manner designed to fairly set forth the financial position and results of operations of the Sun Prairie Village County Water and Sewer District. All disclosures necessary for the readers to gain maximum understanding of the District's financial affairs have been included.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in combination with it. The MD&A can be found immediately following the report of the independent auditors.

**GENERAL INFORMATION**

Background - Sun Prairie Village County Water and Sewer District ("District") was created in 1989. The District is a subdivision of the State of Montana in general, Cascade County in particular. The purpose of the District is to construct and operate the water and sewer system for the subdivisions located within the District. All expenses and liabilities are paid with user fees collected from residents of the District.

**ORGANIZATION OF DISTRICT**

The District is governed by a Board that acts as the authoritative and legislative body. The Board currently is comprised of five members, all of whom are voting and elected by the residents of the District. Any registered elector in the district may file a petition for candidacy with the election administrator of the district. All candidates are required to file a nonpartisan petition for candidacy.

The Board appoints the Chair of the Board from the existing Board members to serve a one-year term as Chair. The Chair is charged with the responsibility of presiding at all Board meetings and acting as chief legislative officer of the District. A General Manager of the District, also appointed by the Board, is charged with the responsibility of serving as chief executive officer of the District as prescribed by the Board.

**SUN PRAIRIE VILLAGE COUNTY WATER AND  
SEWER DISTRICT'S ECONOMIC OUTLOOK**

The District continues to operate with positive cash flows. Rates are monitored to determine if they are adequate to provide the funds needed to operate the district.

Respectfully Submitted,

*Roland Martin*

President of Sun Prairie Village County Water and Sewer District

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

BOARD OF DIRECTORS AND ADMINISTRATIVE OFFICIALS

---

<u>Board of Directors</u>	<u>Position</u>	<u>Term</u>	<u>Term Expires</u>
Roland Martin	President	4 Years	5/31/2022
Kevin Askeland	Vice-President	4 Years	5/31/2019
David Abbott	Member	4 Years	5/31/2022
Floris Dyke	Member	4 Years	5/31/2019
Richard Matiska	Member	4 Years	5/31/2022

Administrative Officials

Janet Fulmer                      General Manager



**WILSON**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sun Prairie Village County Water and Sewer District  
Great Falls, Montana

Randal J. Boysun, CPA  
Gerard K. Schmitz, CPA  
Myra L. Bakke, CPA  
Melissa H. Soldano, CPA

---

Douglas N. Wilson, CPA  
Bruce H. Gaare, CPA

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Sun Prairie Village County Water and Sewer District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's December 31, 2016 financial statements, and in our report dated July 26, 2017, we expressed an unmodified opinion on 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 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 opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Sun Prairie Village County Water and Sewer District as of December 31, 2017, 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 on pages 5 through 9 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 July 2, 2018, on our consideration of the Sun Prairie Village County Water and Sewer 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 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 Sun Prairie Village County Water and Sewer District's internal control over financial reporting and compliance.



Great Falls, Montana  
July 2, 2018

# SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

## GREAT FALLS, MONTANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

---

As management of Sun Prairie Village County Water and Sewer District, we offer readers of Sun Prairie Village County Water and Sewer District's financial statements this narrative overview and analysis of the financial activities of the Sun Prairie Village County Water and Sewer District for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1 of this report.

#### FINANCIAL HIGHLIGHTS

Total operating revenues for Sun Prairie Village County Water and Sewer District were \$567,396 for calendar year 2017. This was an increase of 1.7% from the prior year.

Total operating expenses before depreciation and amortization were \$360,044 in calendar year 2017, an increase of 7.7% from the prior year.

Total net position as of December 31, 2017 was \$4,748,193, an increase of \$19,513 from total net assets as December 31, 2016.

Total capital assets (net of depreciation) were \$5,533,750 as of December 31, 2017, a decrease of \$109,345 or 1.9% less than December 31, 2016. The additions to capital assets in 2017 included equipment and security fencing.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Sun Prairie Village County Water and Sewer District's basic financial statements and the notes thereto.

The Sun Prairie Village County Water and Sewer District's only activity is to operate a water and sewer system, which is principally supported by user fees. Sun Prairie Village County Water and Sewer District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The District's financial statements are prepared in accordance with Government Auditing Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

In accordance with GAAP, Sun Prairie Village County Water and Sewer District's revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of Sun Prairie Village County Water and Sewer District are included in the Statement of Net Position and depreciation of capital assets is recognized in the Statement of Revenues, Expenses and Changes in Net Position. The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

The Statement of Net Position presents information on all of the Sun Prairie Village County Water and Sewer District's assets and liabilities, with a 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 Sun Prairie Village County Water and Sewer District is improving or deteriorating.

NOTES TO THE FINANCIAL STATEMENTS

The notes, presented on pages 13 through 20, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS

**Net Position** - Sun Prairie Village County Water and Sewer District's total net position at December 31, 2017 was \$4,748,193, an increase of \$19,513 or .4% from December 31, 2016 (See Table A-1). Total assets decreased \$25,425 or .4% and total liabilities decreased \$44,938 or 2.6%.

TABLE A-1  
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT  
NET POSITION  
AS OF DECEMBER 31, 2017

	2017	2016	% Change
Current Assets	\$ 370,090	\$ 336,993	9.8%
Restricted Assets	508,652	456,582	11.4%
Capital Assets	5,533,750	5,643,095	-1.9%
Other Assets	17,868	19,115	-6.5%
Total Assets	<u>\$ 6,430,360</u>	<u>\$ 6,455,785</u>	-0.4%
Total Liabilities	\$ 1,682,167	\$ 1,727,105	-2.6%
Net Position:			
Net Investment in Capital Assets	\$ 3,885,819	\$ 3,970,506	-2.1%
Restricted	508,652	456,582	11.4%
Unrestricted	353,722	301,592	17.3%
Total Net Position	<u>\$ 4,748,193</u>	<u>\$ 4,728,680</u>	0.4%

The largest portion of the Sun Prairie Village County Water and Sewer District's total assets at December 31, 2017, \$5,533,750 of \$6,430,360 (86%), reflects the District's net investment in capital assets (land, buildings, machinery and equipment, and construction in progress). The Sun Prairie Village County Water and Sewer District uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.



**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

At December 31, 2017 and 2016, the District's liabilities consisted of accounts payable, customer deposits, and bonds payable.

The balance in restricted assets represents funds reserved for specific purposes. The remaining balance of unrestricted net assets may be used to meet the district's ongoing obligations to citizens and creditors.

**TABLE A-2  
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT'S  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2017**

	2017	2016	% Change
Operating Revenues			
User Fees	\$ 561,006	\$ 555,709	1.0%
Connection Fees	4,871	1,750	178.3%
Other Income	1,519	647	134.8%
Total Operating Revenues	<u>567,396</u>	<u>558,106</u>	1.7%
Operating Expenses			
Total Operating Expenses Before Depreciation and Amortization	360,044	334,438	7.7%
Depreciation and Amortization	<u>174,061</u>	<u>99,138</u>	75.6%
Total Operating Expenses Including Depreciation and Amortization	<u>534,105</u>	<u>433,576</u>	23.2%
Operating Gain (Loss)	33,291	124,530	-73.3%
Non-operating Revenues and Capital			
Contributions net of Non-operating Expenses	<u>(13,778)</u>	<u>1,459,044</u>	-100.9%
Change in Net Position	19,513	1,583,574	-98.8%
Total Net Position, Beginning	<u>4,728,680</u>	<u>3,145,106</u>	50.4%
Total Net Position, Ending	<u><b>\$ 4,748,193</b></u>	<u><b>\$ 4,728,680</b></u>	0.4%

**Operating Revenues** - Operating revenues are composed of user fees and connection fees. Operating revenues increased \$8,418 from last year.

**Operating Expenses** - Operating expenses are composed of employment costs and other operating costs detailed below.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**Employment Costs** - Employment costs consist of full-time and part-time regular wages and related overtime costs, employment taxes, retirement contributions, and other fringe benefits. Employment costs increased \$6,967 or 4.5% over 2016.

**Other Operating Costs** - Other operating costs include depreciation, repairs, maintenance, parts, materials and supplies, insurance, utilities, vehicle operations, and other expenses. Other operating costs increased \$93,562 or 33.6% compared to 2016.

**Non-Operating Revenues and Expenses, Net** - Non-operating revenues and expenses including capital contributions, decreased by \$1,472,822, due reimbursement grants received for construction of the water system project in 2016

**Capital Assets** - As of December 31, 2017, Sun Prairie Village County Water and Sewer District had invested \$8,443,293 in capital assets. Net of accumulated depreciation, Sun Prairie Village County Water and Sewer District's net capital assets as of December 31, 2017 totaled \$5,533,750 (See Table A-3). This amount represents a net decrease of \$109,345 from December 31, 2016, due to depreciation expense.

TABLE A-3  
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT'S  
CAPITAL ASSETS (NET OF DEPRECIATION)  
AS OF DECEMBER 31, 2017

	2017	2016	% Change
Building and Improvements	\$ 7,762,892	\$ 7,758,012	0.1%
Equipment	615,979	608,536	1.2%
Construction in Progress	64,422	13,276	385.3%
Accumulated Depreciation	(2,909,543)	(2,736,729)	6.3%
Total Net Capital Assets	<u>\$ 5,533,750</u>	<u>\$ 5,643,095</u>	-1.9%

The major capital activity is related to improving the infrastructure of the water and sewer systems and buildings used to store vehicles and equipment.

**Budgetary Integrity, Accounting Systems and Internal Controls** - Budgetary controls are exercised at the department level by major types of expenditures, and budget to actual performance is reported to the Board of Directors monthly. The financial statements are audited annually by an independent auditor who provides a report thereon to the Board of Directors.

In developing and maintaining Sun Prairie Village County Water and Sewer District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that the cost of control should not exceed the benefits likely to be derived from its use and that the evaluation of the cost and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework.

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

---

**Debt Administration** - At December 31, 2017, Sun Village County Water and Sewer District had bonds outstanding to the USDA that totaled \$1,647,931. At December 31, 2016, Sun Village County Water and Sewer District had bonds outstanding to the USDA that totaled \$1,672,589.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

No significant changes are expected for the next year. The budget will be funded mainly through user fees.

**CONDITIONS AFFECTING CURRENT FINANCIAL POSITION**

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present and future.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Sun Prairie Village County Water and Sewer District's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sun Prairie Village County Water and Sewer District, 1047 Grant Drive, Great Falls, MT 59404.

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**STATEMENT OF NET POSITION AS OF DECEMBER 31, 2017  
(WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016)**

	Water Fund	Sewer Fund	Total	
			2017	2016
<b>ASSETS</b>				
Current:				
Cash and Cash Equivalents	\$ 116,153	\$ 83,854	\$ 200,007	\$ 179,092
Investments	53,293	73,390	126,683	127,166
Accounts Receivable	37,582	16,106	53,688	42,870
Allowance for Uncollectible Accounts Receivable	(10,800)	(7,200)	(18,000)	(18,000)
Prepaid Expenses	5,579	2,133	7,712	5,865
Total Current Assets	<u>201,807</u>	<u>168,283</u>	<u>370,090</u>	<u>336,993</u>
Restricted:				
Cash and Cash Equivalents	148,844	174,471	323,315	225,350
Grants Receivable	-	-	-	27,772
Investments	-	185,337	185,337	203,460
Total Restricted Assets	<u>148,844</u>	<u>359,808</u>	<u>508,652</u>	<u>456,582</u>
Capital Assets:				
Buildings and Improvements	6,078,488	1,684,404	7,762,892	7,758,012
Equipment	223,734	392,245	615,979	608,536
Construction in Progress	-	64,422	64,422	13,276
	<u>6,302,222</u>	<u>2,141,071</u>	<u>8,443,293</u>	<u>8,379,824</u>
Less: Accumulated Depreciation	(1,367,959)	(1,541,584)	(2,909,543)	(2,736,729)
Total Capital Assets	<u>4,934,263</u>	<u>599,487</u>	<u>5,533,750</u>	<u>5,643,095</u>
Other Assets:				
Loan Fees	6,000	17,520	23,520	23,520
Capitalized Interest	-	49,864	49,864	49,864
	<u>6,000</u>	<u>67,384</u>	<u>73,384</u>	<u>73,384</u>
Less: Accumulated Amortization	(6,000)	(49,516)	(55,516)	(54,269)
Total Other Assets	<u>-</u>	<u>17,868</u>	<u>17,868</u>	<u>19,115</u>
Total Assets	<u>5,284,914</u>	<u>1,145,446</u>	<u>6,430,360</u>	<u>6,455,785</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	1,364	26,591	27,955	49,456
Customer Deposits	4,397	1,884	6,281	5,060
Current Portion of Bonds Payable	25,375	-	25,375	24,658
Total Current Liabilities	<u>31,136</u>	<u>28,475</u>	<u>59,611</u>	<u>79,174</u>
Long Term Liabilities:				
Bonds Payable, Net of Current Portion	1,622,556	-	1,622,556	1,647,931
Total Long Term Liabilities	<u>1,622,556</u>	<u>-</u>	<u>1,622,556</u>	<u>1,647,931</u>
Total Liabilities	<u>1,653,692</u>	<u>28,475</u>	<u>1,682,167</u>	<u>1,727,105</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	3,286,332	599,487	3,885,819	3,970,506
Restricted	148,844	359,808	508,652	456,582
Unrestricted	196,046	157,676	353,722	301,592
Total Net Position	<u>\$ 3,631,222</u>	<u>\$ 1,116,971</u>	<u>\$ 4,748,193</u>	<u>\$ 4,728,680</u>

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

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Water Fund	Sewer Fund	Total	
			2017	2016
Revenue:				
User Fees	\$ 399,811	\$ 161,195	\$ 561,006	\$ 555,709
Connection and Convenience Fees	3,410	1,461	4,871	1,750
Other Income	1,371	148	1,519	647
Total Revenue	<u>404,592</u>	<u>162,804</u>	<u>567,396</u>	<u>558,106</u>
Expenses:				
Salaries	93,636	40,130	133,766	130,243
Payroll Taxes and Insurance	11,479	4,920	16,399	13,237
Retirement	2,740	1,174	3,914	3,507
Cafeteria Contribution Expense	5,250	3,000	8,250	8,375
Depreciation and Amortization	131,224	42,837	174,061	99,138
Chemical Supplies	42,040	-	42,040	35,821
Laboratory Testing and Supplies	4,111	3,785	7,896	7,317
Contract Labor	11,289	2,570	13,859	2,400
Professional Fees	10,125	4,338	14,463	11,467
Repairs and Maintenance	10,112	1,040	11,152	7,611
Easements	-	-	-	8,000
Vehicle Operations	3,852	2,797	6,649	12,170
Utilities	52,045	13,936	65,981	57,871
Office	7,879	2,380	10,259	11,780
Insurance	10,085	5,155	15,240	13,780
Miscellaneous	7,630	2,546	10,176	10,859
Total Operating Expenses	<u>403,497</u>	<u>130,608</u>	<u>534,105</u>	<u>433,576</u>
Operating Income (Loss)	<u>1,095</u>	<u>32,196</u>	<u>33,291</u>	<u>124,530</u>
Non-Operating Revenues and (Expenses):				
Interest Income	3,294	3,091	6,385	7,901
Interest Expense	(47,763)	-	(47,763)	(43,615)
Net Increase (Decrease) in the Fair Value of Investments	<u>(1,293)</u>	<u>(1,107)</u>	<u>(2,400)</u>	<u>888</u>
Total Non-Operating Revenue (Expenses), Net	<u>(45,762)</u>	<u>1,984</u>	<u>(43,778)</u>	<u>(34,826)</u>
Capital Contributions	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>1,493,870</u>
Transfers	<u>26,513</u>	<u>(26,513)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(18,154)	37,667	19,513	1,583,574
Net Position, Beginning of Year	<u>3,649,376</u>	<u>1,079,304</u>	<u>4,728,680</u>	<u>3,145,106</u>
Net Position, End of Year	<u>\$ 3,631,222</u>	<u>\$ 1,116,971</u>	<u>\$ 4,748,193</u>	<u>\$ 4,728,680</u>

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

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

STATEMENT OF CHANGES IN CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Water Fund	Sewer Fund	Total	
			2017	2016
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 398,239	\$ 158,041	\$ 556,280	\$ 556,092
Cash Receipts from Other Sources	1,371	148	1,519	647
Cash Paid for Goods and Services	(178,078)	(49,224)	(227,302)	(165,909)
Cash Paid for Employees	(111,531)	(44,493)	(156,024)	(155,362)
Net Cash Provided by Operating Activities	<u>110,001</u>	<u>64,472</u>	<u>174,473</u>	<u>235,468</u>
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	(26,380)	(32,895)	(59,275)	(100,000)
Investments Sold and Matured	26,576	48,905	75,481	118,711
Investment Earnings	3,294	3,091	6,385	8,789
Net Cash Provided (Used) by Investing Activities	<u>3,490</u>	<u>19,101</u>	<u>22,591</u>	<u>27,500</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
<b>Financing Activities:</b>				
Purchase of Capital Assets	(31,992)	(31,543)	(63,535)	(3,344,587)
Capital Contributions	27,772	30,000	57,772	1,567,464
Proceeds from Bonds	-	-	-	1,477,765
Principal Paid on Bonds	(24,658)	-	(24,658)	(28,845)
Interest Paid	(47,763)	-	(47,763)	(43,615)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(76,641)</u>	<u>(1,543)</u>	<u>(78,184)</u>	<u>(371,818)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers	26,513	(26,513)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>26,513</u>	<u>(26,513)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	63,363	55,517	118,880	(108,850)
Cash at Beginning of Year	201,634	202,808	404,442	513,292
Cash at End of Year	<u>\$ 264,997</u>	<u>\$ 258,325</u>	<u>\$ 523,322</u>	<u>\$ 404,442</u>
<b>Reconciliation of Operating Income (Loss) to net cash provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 1,095	\$ 32,196	\$ 33,291	\$ 124,530
Adjustments to Reconcile Operating Income (Loss) to net cash flows from Operating Activities:				
Noncash items included in Operating Income:				
Depreciation	131,224	41,590	172,814	97,891
Amortization	-	1,247	1,247	1,247
Changes in Assets and Liabilities:				
Accounts Receivable	(5,605)	(5,213)	(10,818)	(565)
Prepaid Expenses	(1,876)	29	(1,847)	(351)
Trade Accounts Payable	(15,460)	(5,975)	(21,435)	13,518
Customer Deposits	623	598	1,221	(802)
Net Cash Provided by Operating Activities	<u>\$ 110,001</u>	<u>\$ 64,472</u>	<u>\$ 174,473</u>	<u>\$ 235,468</u>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:</b>				
Cash and Cash Equivalents - Unrestricted	\$ 116,153	\$ 83,854	\$ 200,007	\$ 179,092
Cash and Cash Equivalents - Restricted	148,844	174,471	323,315	225,350
Cash and Cash Equivalents	<u>\$ 264,997</u>	<u>\$ 258,325</u>	<u>\$ 523,322</u>	<u>\$ 404,442</u>

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

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

---

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

**Background** - Sun Prairie Village County Water and Sewer District ("District") was created in 1989. The District is a subdivision of the State of Montana in general, Cascade County in particular. The purpose of the District is to construct and operate the water and sewer system for the subdivisions located within the District. All expenses and liabilities are paid with user fees collected from residents of the District.

**Accounting Method** - The financial statements are prepared on the accrual basis of accounting, and accordingly, revenue and expenses are recorded when earned or incurred rather than when received or paid. Operations are accounted for using a proprietary fund, which is similar to a private business enterprise.

**Revenue and Expense Classification** - The District distinguishes operating revenues and expenses from non-operating items in preparation of these financial statements. Operating revenues and expenses generally result from providing water and sewer services in connection with the District's principal on-going operations. The principal operating revenues are generated from water and sewer user fees. The District's operating expenses include labor and benefits, materials, supplies, utilities, insurance, and other expenses related to the delivery of water and sewer services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses in accordance with GASB standards.

**Depreciation** - The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line basis over 50 years for sewer lagoon or water mains, three to seven years for pumps, pipe and equipment and five years for office furniture and equipment. Items over \$200 with a useful life of more than one year are capitalized.

**Construction in Process** - The District is involved in various construction projects throughout the year. Once completed, those projects are capitalized and depreciated over the life of the asset.

**Deferred Bond Issue Costs/Capitalized Interest** - The costs directly related to the bond issue are amortized on a straight-line basis over the life of the bond issue (20 years). Interest capitalized during construction is amortized on a straight-line basis over the life of the improvements (40 years).

**Net Position** - The District classifies its net position into the following three categories:

- **Net Investment in Capital Assets** - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

---

- **Restricted** - The restricted component of net position consist of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. This represents the resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Unrestricted** - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. This represents the resources that are available for general use.

**Cash Equivalents** - The District considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents". Cash is entirely insured as of December 31, 2017.

**Investments** - Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

All investments of the District are invested in bonds which are allowed by law. Investments are carried at fair market value. Management's intent is to hold all investments to maturity. Investments are entirely insured as of December 31, 2017.

**Accounts Receivable** - These amounts are due from water and sewer customers of the District. The District uses the allowance method for bad debts using historical analysis to estimate this amount. Any receivables outstanding over 30 days are considered past due.



**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**Prepaid Expenses** - Certain payments to vendors represent costs applicable to futures accounting periods and are recorded as prepaid expenses and expensed as the services are used.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassification** - The District has reclassified certain prior year information to conform to current year presentations. The previously reported change in net position and total net position were unaffected by the reclassification.

**NOTE 2: RESTRICTED ASSETS:**

The District has received federal grants and issued bonds to construct and improve the water and sewer system. Under terms of the grants and bonds, certain funds are restricted for specific purposes. Restricted assets are applied first when an expense is incurred for which both restricted and unrestricted resources are available. Restricted use accounts are summarized as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Replacement and Depreciation Fund account	\$ 71,363	\$ 329,808
Improvement Project Fund account	37,099	30,000
USDA Revenue Bond and Reserve accounts	40,382	-
Total	<u>\$ 148,844</u>	<u>\$ 359,808</u>

**NOTE 3: INVESTMENTS:**

Investments authorized at December 31, 2017 by the District's investment policy:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Fair Value</u>	<u>Maturity</u>			
			<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Over 60 Months</u>
U.S. Treasury obligations	Level 2	\$ 88,085	\$ 65	\$ 44	\$ 1,321	\$ 86,655
Non-negotiable certificates of deposit	Level 2	223,935	75,001	74,178	74,756	-
Total Investments		<u>\$ 312,020</u>	<u>\$ 75,066</u>	<u>\$ 74,222</u>	<u>\$ 76,077</u>	<u>\$ 86,655</u>

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

***Fair Value Measurement Input***

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized statistical rating organization.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Concentration of Credit Risk***

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer.

**NOTE 4: CAPITAL ASSETS:**

Capital assets, as of December 31, 2017, are summarized as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital Assets Being Depreciated				
Buildings and System Improvements	\$ 7,758,012	\$ 4,880	\$ -	\$ 7,762,892
Furniture, Fixtures and Equipment	608,536	7,443	-	615,979
Total Capital Assets Being Depreciated	<u>8,366,548</u>	<u>12,323</u>	<u>-</u>	<u>8,378,871</u>
Accumulated Depreciation				
Buildings and System Improvements	(2,377,021)	(164,704)	-	(2,541,725)
Furniture, Fixtures and Equipment	(359,708)	(8,110)	-	(367,818)
Total Accumulated Depreciation	<u>(2,736,729)</u>	<u>(172,814)</u>	<u>-</u>	<u>(2,909,543)</u>
Total Capital Assets Being Depreciated, Net	<u>5,629,819</u>	<u>(160,491)</u>	<u>-</u>	<u>5,469,328</u>
Construction in Progress	<u>13,276</u>	<u>51,146</u>	<u>-</u>	<u>64,422</u>
Total Net Capital Assets	<u><b>\$ 5,643,095</b></u>	<u><b>\$ (109,345)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 5,533,750</b></u>

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5: BONDS PAYABLE:**

**USDA Water System Bond - Series 2015 A and B** - In connection with the District's acquisition and construction of improvements to the system, the District obtained two bonds from the USDA.

**Water System Bond Description:** USDA 2015A water system revenue bond due in monthly installments of \$4,911 at an interest rate of 2.875%; the balance of this bond at December 31, 2017 was \$1,342,011. Final scheduled payment is January 2055.

USDA 2015B water system revenue bond due in monthly installments of \$1,124 at an interest rate of 2.875%; the balance of this bond at December 31, 2017 was \$305,920. Final scheduled payment is January 2055.

Debt service requirements at December 31, 2017 are as follows:

Year Ending December 31,	USDA 2015A			
	Payments	Interest	Principal	Balance
2018	\$ 58,932	\$ 38,312	\$ 20,620	\$ 1,321,391
2019	58,932	37,712	21,220	1,300,171
2020	58,932	37,093	21,839	1,278,332
2021	58,932	36,457	22,475	1,255,857
2022	58,932	35,803	23,129	1,232,728
2023-2027	294,660	168,506	126,154	1,106,574
2028-2032	294,660	148,028	146,632	959,942
2033-2037	294,660	126,543	168,117	791,825
2038-2042	294,660	100,586	194,074	597,751
2043-2047	294,660	70,621	224,039	373,712
2048-2052	294,660	36,030	258,630	115,082
2053-2055	118,643	3,561	115,082	-
Total	<u>\$ 2,181,263</u>	<u>\$ 839,252</u>	<u>\$ 1,342,011</u>	

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**USDA 2015B**

<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2018	\$ 13,488	\$ 8,733	\$ 4,755	\$ 301,165
2019	13,488	8,594	4,894	296,271
2020	13,488	8,452	5,036	291,235
2021	13,488	8,305	5,183	286,052
2022	13,488	8,154	5,334	280,718
2023-2027	67,440	38,347	29,093	251,625
2028-2032	67,440	33,855	33,585	218,040
2033-2037	67,440	28,670	38,770	179,270
2038-2042	67,440	22,684	44,756	134,514
2043-2047	67,440	15,744	51,696	82,818
2048-2052	67,440	7,796	59,644	23,174
2053-2055	23,796	622	23,174	-
Total	<u>\$ 495,876</u>	<u>\$ 189,956</u>	<u>\$ 305,920</u>	

**NOTE 6: BOND COVENANTS:**

**USDA Water System Revenue Bond - Series 2015 A and B** - The bond agreement specifically requires that the District comply with certain bond covenants. A summary of those covenants is as follows:

The District must set user rates sufficient to provide income adequate to pay current expenses, the maintenance of required reserves established for the Series 2015 Bonds, and net revenues in excess of current expenses before depreciation.

**Construction Account** - The District must establish and maintain a construction account for the deposit of the proceeds of the bond issue. Disbursements from the account are limited to capital assets of the project, subject to the approval of the USDA. The balance at December 31, 2017 is \$37,099.

**Water Revenue Bond Account** - The District must maintain and account for the monthly deposit on the next installment of the principal and interest due on the Series 2015 Bonds. Disbursement of funds from the account is limited to monthly bond payments. The balance at December 31, 2017 is \$12,211.

**Water Reserve Account** - The District must maintain an account to establish a reserve for the payment of bond principal and interest. The District is required to credit the account \$605 per month. Any excess balance in the account is required to be credited to the Revenue Bond Account. The balance at December 31, 2017 is \$28,171.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**Replacement and Depreciation Accounts** - The District board shall deposit to these accounts reasonable amounts to accumulate for repair, replacement or renewal of the systems. Funds deposited to these accounts are made only after the Operating, Revenue Bond and Reserve Accounts are funded. Balance in the accounts at year end is \$71,363.

**Surplus Accounts** - Any funds available after the required accounts are funded may be deposited to these accounts for future operating or funding of shortages in other accounts. These accounts have a zero balance at December 31, 2017.

**Operating Account** - The District must maintain an operating account for the purpose of depositing revenues collected from users and to pay current operating expenses only. Net revenues at the end of each month in the operating account are to be distributed to other accounts in accordance with additional covenants. This account is considered to be unrestricted on the District's Statement of Net Position. The balance at December 31, 2017 is \$25,040.

**Insurance** - The District is required to carry property and liability insurance. Minimum requirements are established for liability coverage.

**NOTE 7: PREMISES CONNECTED TO SYSTEM:**

On December 31, 2017, premises connected to the water and sewer system are:

Water and Sewer - Full Service	477
Water and Sewer - Connected But Turned Off	40

**NOTE 8: RISK MANAGEMENT:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017, the District contracted with several companies for various types of insurance coverage as follows:

<u>Insurer and Risk Covered</u>	<u>Amount of Insurance</u>	<u>Expiration Date</u>
<u>MACO</u>		
Commercial Auto:		
-Liability	\$750,000 per claim / \$1,500,000 per occurrence	7/01/18
-Medical	\$5,000 per person/\$50,000 per accident	
-Uninsured Motorist	\$750,000 per claim / \$1,500,000 per occurrence	

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**

**GREAT FALLS, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

<u>Insurer and Risk Covered</u>	<u>Amount of Insurance</u>	<u>Expiration Date</u>
General Liability:		
-Generate Aggregate	\$1,500,000	
-Products\Operations	\$1,500,000	
-Personal Injury	\$750,000	
-Each Occurrence	\$750,000	
-Fire Damage	\$750,000	
-Medical Expense	\$5,000 per person/\$50,000 per accident	
Commercial Property:		
-Buildings	\$413,260	
-Personal Property	\$193,000	
Public Officials Bond	\$500,000	7/01/18
<u>State of Montana</u>		
Workers' Compensation	\$100,000	7/01/18
<u>Redland Insurance Company</u>		
Flood insurance	\$160,700	5/09/18

**NOTE 9: RETIREMENT PLAN:**

The District has adopted a Simplified Employee Pension (SEP) plan that covers all of their employees with over one year of service. The plan provides for immediate vesting. The District currently makes contributions of 4% of employee wages. The amount of District contributions to the plan for the years ended December 31, 2017 and 2016 totaled \$3,914 and \$3,507, respectively.

**NOTE 10: COMPARATIVE INFORMATION:**

The financial statements include prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2016 from which the summarized information was derived.



**WILSON**

To the Board of Directors  
Sun Prairie Village County Water and Sewer District  
Great Falls, Montana

Randal J. Boysun, CPA  
Gerard K. Schmitz, CPA  
Myra L. Bakke, CPA  
Melissa H. Soldano, CPA

---

Douglas N. Wilson, CPA  
Bruce H. Gaare, CPA

**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**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type-activities and each major fund of Sun Prairie Village County Water and Sewer District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Sun Prairie Village County Water and Sewer District's basic financial statements, and have issued our report thereon dated July 2, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sun Prairie Village County Water and Sewer 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 Sun Prairie Village County Water and Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sun Prairie Village County Water and Sewer 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.

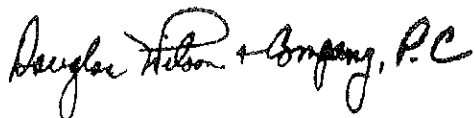
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sun Prairie Village County Water and Sewer 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.



Great Falls, Montana  
July 2, 2018