

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

**GREAT FALLS, MONTANA**

**FINANCIAL STATEMENTS**

**AS OF**

**DECEMBER 31, 2016**

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***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, 2016

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

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**LETTER OF TRANSMITTAL**

July 26, 2017

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, 2016. 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 shall file a nonpartisan petition for candidacy containing the signatures of not less than five registered electors of the district.

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

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<u>Board of Directors</u>	<u>Position</u>	<u>Term</u>	<u>Term Expires</u>
Roland Martin	President	4 Years	5/31/2018
Kevin Askeland	Vice-President	4 Years	5/31/2019
Tracie DeBolt	Member	4 Years	5/31/2018
Floris Dyke	Member	4 Years	5/31/2019
Richard Matiska	Member	4 Years	5/31/2019

Administrative Officials

Janet Fulmer                      General Manager



*Douglas* **WILSON**  
and Company, PC

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

### 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, 2016, 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, 2015 financial statements, and in our report dated July 14, 2016, 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, 2016, 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 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

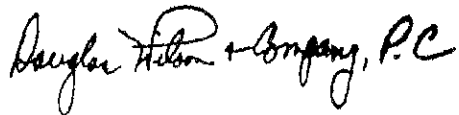
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sun Prairie Village County Water and Sewer District's basic financial statements. The letter of transmittal and list of board of directors and administrative officials are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2017, 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 26, 2017

# SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

## GREAT FALLS, MONTANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016. 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 \$558,106 for calendar year 2016. This was an increase of 29.4% from the prior year.

Total operating expenses before depreciation and amortization were \$334,438 in calendar year 2016, an increase of 24.3% from the prior year.

Total net position as of December 31, 2016 was \$4,728,680, an increase of \$1,583,574 from total net assets as December 31, 2015.

Total capital assets (net of depreciation) were \$5,643,095 as of December 31, 2016, an increase of \$1,896,561 or 50.6% more than December 31, 2015. This increase in total capital assets is primarily the result of the completion of the water system improvement project.

#### 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.

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 12 through 17, 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, 2016 was \$4,728,680, an increase of \$1,583,574 or 50.4% from December 31, 2015 (See Table A-1). Total assets increased \$1,695,075 or 35.6% and total liabilities increased \$111,501 or 6.9% due to the completion of the water improvement project.

**TABLE A-1  
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT  
FUND NET POSITION  
AS OF DECEMBER 31, 2016**

	2016	2015	% Change
Current Assets	\$ 336,993	\$ 325,997	3.4%
Restricted Assets	456,582	667,817	-31.6%
Capital Assets	5,643,095	3,746,534	50.6%
Other Assets	19,115	20,362	-7.4%
Total Assets	<u>\$ 6,455,785</u>	<u>\$ 4,760,710</u>	35.6%
 Total Liabilities	 \$ 1,727,105	 \$ 1,615,604	 6.9%
 Net Position:			
Net Investment in Capital Assets	\$ 3,970,506	\$ 2,146,640	85.0%
Restricted	456,582	667,817	-31.6%
Unrestricted	301,592	330,649	-8.8%
Total Net Position	<u>\$ 4,728,680</u>	<u>\$ 3,145,106</u>	50.4%

The largest portion of the Sun Prairie Village County Water and Sewer District's total assets at December 31, 2016, \$5,643,095 of \$6,455,785 (87%), 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.

At December 31, 2016 and 2015, 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, 2016**

	2016	2015	% Change
Operating Revenues			
User Fees	\$ 555,709	\$ 430,215	29.2%
Connection Fees	1,750	750	133.3%
Other Income	647	187	246.0%
Total Operating Revenues	<u>558,106</u>	<u>431,152</u>	29.4%
Operating Expenses			
Total Operating Expenses Before			
Depreciation and Amortization	334,438	268,988	24.3%
Depreciation and Amortization	<u>99,138</u>	<u>94,931</u>	4.4%
Total Operating Expenses Including			
Depreciation and Amortization	<u>433,576</u>	<u>363,919</u>	19.1%
Operating Gain (Loss)	124,530	67,233	85.2%
Non-operating Revenues net of			
Non-operating Expenses	<u>1,459,044</u>	<u>424,105</u>	244.0%
Change in Net Position	<u>1,583,574</u>	<u>491,338</u>	222.3%
Total Net Position, Beginning	<u>3,145,106</u>	<u>2,653,768</u>	18.5%
Total Net Position, Ending	<u>\$ 4,728,680</u>	<u>\$ 3,145,106</u>	50.4%

**Operating Revenues** - Operating revenues are composed of user fees and connection fees. Operating revenues increased \$126,954 from last year. This is due to an increase of the monthly service rates effective October 1, 2015.

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

**Employment Costs** - Employment costs consist of full-time and part-time regular wages and related overtime costs, employment taxes, health insurance expenses, retirement costs, and other fringe benefits. Employment costs increased \$14,445 or 10.3% over 2015.

**Other Operating Costs** - Other operating costs include repairs, maintenance, parts, materials and supplies, insurance, utilities, vehicle operations, and other expenses. Other operating costs increased \$55,212 or 24.8% compared to 2015.

**Non-Operating Revenues and Expenses, Net** - Non-operating revenues and expenses including capital contributions, increased by \$1,034,939, due to additional reimbursement grants received for construction of the new water system project.

**Capital Assets** - As of December 31, 2016, Sun Prairie Village County Water and Sewer District had invested \$8,379,824 in capital assets. Net of accumulated depreciation, Sun Prairie Village County Water and Sewer District's net capital assets as of December 31, 2016 totaled \$5,643,095 (See Table A-3). This amount represents a net increase of \$1,896,561 or 51% from December 31, 2015.

**TABLE A-3  
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT'S  
CAPITAL ASSETS (NET OF DEPRECIATION)  
AS OF DECEMBER 31, 2016**

	2016	2015	% Change
Building and Improvements	\$ 7,758,012	\$ 3,008,614	157.9%
Equipment	608,536	591,894	2.8%
Construction in Progress	13,276	2,784,864	-99.5%
Accumulated Depreciation	(2,736,729)	(2,638,838)	3.7%
Total Net Capital Assets	<u>\$ 5,643,095</u>	<u>\$ 3,746,534</u>	50.6%

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.

**Debt Administration** - 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.

### 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, 2016  
(WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2015)

	Water Fund	Sewer Fund	Total	
			2016	2015
<b>ASSETS</b>				
Current:				
Cash and Cash Equivalents	\$ 102,244	\$ 76,848	\$ 179,092	\$ 171,886
Investments	54,782	72,384	127,166	124,292
Accounts Receivable	31,977	10,893	42,870	42,305
Allowance for Uncollectible Accounts Receivable	(10,800)	(7,200)	(18,000)	(18,000)
Prepaid Expenses	3,703	2,162	5,865	5,514
Total Current Assets	<u>181,906</u>	<u>155,087</u>	<u>336,993</u>	<u>325,997</u>
Restricted:				
Cash and Cash Equivalents	99,390	125,960	225,350	341,406
Grants Receivable	27,772	-	27,772	101,366
Investments	-	203,460	203,460	225,045
Total Restricted Assets	<u>127,162</u>	<u>329,420</u>	<u>456,582</u>	<u>667,817</u>
Capital Assets:				
Buildings and Improvements	6,075,072	1,682,940	7,758,012	3,008,614
Equipment	221,249	387,287	608,536	591,894
Construction in Progress	-	13,276	13,276	2,784,864
	<u>6,296,321</u>	<u>2,083,503</u>	<u>8,379,824</u>	<u>6,385,372</u>
Less: Accumulated Depreciation	(1,236,735)	(1,499,994)	(2,736,729)	(2,638,838)
Total Capital Assets	<u>5,059,586</u>	<u>583,509</u>	<u>5,643,095</u>	<u>3,746,534</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)	(48,269)	(54,269)	(53,022)
Total Other Assets	<u>-</u>	<u>19,115</u>	<u>19,115</u>	<u>20,362</u>
Total Assets	<u>5,368,654</u>	<u>1,087,131</u>	<u>6,455,785</u>	<u>4,760,710</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current Liabilities:				
Accounts Payable	42,915	6,541	49,456	1,386,073
Customer Deposits	3,774	1,286	5,060	5,862
Current Portion of Bonds Payable	24,657	-	24,657	28,845
Total Current Liabilities	<u>71,346</u>	<u>7,827</u>	<u>79,173</u>	<u>1,420,780</u>
Long Term Liabilities:				
Bonds Payable, Net of Current Portion	1,647,932	-	1,647,932	194,824
Total Current Liabilities	<u>1,647,932</u>	<u>-</u>	<u>1,647,932</u>	<u>194,824</u>
Total Liabilities	<u>1,719,278</u>	<u>7,827</u>	<u>1,727,105</u>	<u>1,615,604</u>
Net Position:				
Net Investment in Capital Assets	3,386,997	583,509	3,970,506	2,146,640
Restricted	127,162	329,420	456,582	667,817
Unrestricted	135,217	166,375	301,592	330,649
Total Net Position	<u>\$ 3,649,376</u>	<u>\$ 1,079,304</u>	<u>\$ 4,728,680</u>	<u>\$ 3,145,106</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, 2016  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)**

	Water Fund	Sewer Fund	Total	
			2016	2015
Revenue:				
User Fees	\$ 394,808	\$ 160,901	\$ 555,709	\$ 430,215
Connection Fees	1,070	680	1,750	750
Other Income	398	249	647	187
Total Revenue	<u>396,276</u>	<u>161,830</u>	<u>558,106</u>	<u>431,152</u>
Expenses:				
Salaries	78,146	52,097	130,243	118,142
Payroll Taxes and Insurance	7,942	5,295	13,237	11,168
Retirement	2,104	1,403	3,507	4,076
Cafeteria Contribution Expense	5,025	3,350	8,375	7,531
Depreciation and Amortization	42,699	56,439	99,138	94,931
Chemical Supplies	34,495	1,326	35,821	20,165
Laboratory Testing and Supplies	3,516	3,801	7,317	6,054
Contract Labor	1,481	919	2,400	3,172
Professional Fees	7,200	4,267	11,467	8,082
Repairs and Maintenance	6,790	821	7,611	2,012
Easements	8,000	-	8,000	12,000
Vehicle Operations	5,855	6,315	12,170	7,142
Utilities	43,098	14,773	57,871	43,246
Office	8,023	3,757	11,780	9,333
Insurance	8,914	4,866	13,780	12,660
Miscellaneous	8,597	2,262	10,859	4,205
Total Operating Expenses	<u>271,885</u>	<u>161,691</u>	<u>433,576</u>	<u>363,919</u>
Operating Income (Loss)	<u>124,391</u>	<u>139</u>	<u>124,530</u>	<u>67,233</u>
Non-Operating Revenues and (Expenses):				
Interest Income	4,210	3,691	7,901	7,202
Interest Expense	(43,599)	(16)	(43,615)	(538)
Net Increase (Decrease) in the Fair Value of Investments	<u>719</u>	<u>169</u>	<u>888</u>	<u>2,598</u>
Total Non-Operating Revenue (Expenses), Net	<u>(38,670)</u>	<u>3,844</u>	<u>(34,826)</u>	<u>9,262</u>
Capital Contributions	<u>1,493,870</u>	<u>-</u>	<u>1,493,870</u>	<u>414,843</u>
Transfers	<u>52,483</u>	<u>(52,483)</u>	<u>-</u>	<u>-</u>
Change in Net Position	1,632,074	(48,500)	1,583,574	491,338
Net Position, Beginning of Year	<u>2,017,302</u>	<u>1,127,804</u>	<u>3,145,106</u>	<u>2,653,768</u>
Net Position, End of Year	<u>\$ 3,649,376</u>	<u>\$ 1,079,304</u>	<u>\$ 4,728,680</u>	<u>\$ 3,145,106</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, 2016  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015)

	Water Fund	Sewer Fund	Total	
			2016	2015
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 394,387	\$ 161,705	\$ 556,092	\$ 417,550
Cash Receipts from Other Sources	398	249	647	187
Cash Paid for Goods and Services	(128,069)	(37,840)	(165,909)	(139,620)
Cash Paid for Employees	(93,217)	(62,145)	(155,362)	(140,917)
Net Cash Provided by Operating Activities	<u>173,499</u>	<u>61,969</u>	<u>235,468</u>	<u>137,200</u>
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	(3,700)	(96,300)	(100,000)	(91,695)
Investments Sold and Matured	-	118,711	118,711	173,951
Net Investment Income (Loss)	4,929	3,860	8,789	7,202
Net Cash Provided (Used) by Investing Activities	<u>1,229</u>	<u>26,271</u>	<u>27,500</u>	<u>89,458</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
<b>Financing Activities:</b>				
Purchase of Fixed Assets	(3,329,330)	(15,257)	(3,344,587)	(627,210)
Capital Contributions	1,567,464	-	1,567,464	322,990
Proceeds from Bonds	1,477,765	-	1,477,765	241,236
Principal Paid on Bonds	(28,845)	-	(28,845)	(17,567)
Interest Paid	(43,599)	(16)	(43,615)	(538)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(356,545)</u>	<u>(15,273)</u>	<u>(371,818)</u>	<u>(81,089)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers	52,483	(52,483)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>52,483</u>	<u>(52,483)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(129,334)	20,484	(108,850)	145,569
Cash at Beginning of Year	330,968	182,324	513,292	367,723
Cash at End of Year	<u>\$ 201,634</u>	<u>\$ 202,808</u>	<u>\$ 404,442</u>	<u>\$ 513,292</u>
<b>Reconciliation of Operating Income (Loss) to net cash provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 124,391	\$ 139	\$ 124,530	\$ 67,233
<b>Adjustments to Reconcile Operating Income (Loss) to net cash flows from Operating Activities:</b>				
<b>Noncash items included in Operating Income:</b>				
Depreciation	42,699	55,192	97,891	93,684
Amortization	-	1,247	1,247	1,246
<b>Changes in Assets and Liabilities:</b>				
Accounts Receivable	(986)	421	(565)	(13,728)
Prepaid Expenses	(211)	(140)	(351)	(137)
Trade Accounts Payable	8,111	5,407	13,518	(10,640)
Customer Deposits	(505)	(297)	(802)	(458)
Net Cash Provided by Operating Activities	<u>\$ 173,499</u>	<u>\$ 61,969</u>	<u>\$ 235,468</u>	<u>\$ 137,200</u>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:</b>				
Cash and Cash Equivalents - Unrestricted	\$ 102,244	\$ 76,848	\$ 179,092	\$ 171,886
Cash and Cash Equivalents - Restricted	99,390	125,960	225,350	341,406
Cash and Cash Equivalents	<u>\$ 201,634</u>	<u>\$ 202,808</u>	<u>\$ 404,442</u>	<u>\$ 513,292</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, 2016

---

**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.

**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.

- **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, 2016.

**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.

**Investments** - 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, 2016.

**Prepaid Expenses** - Certain payments to vendors represent costs applicable to futures accounting periods and are recoded 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.

**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	\$ 5,568	\$ 329,420
Improvement Project Fund account	35,417	-
USDA Bond Reserve	58,405	-
Grants Receivable	27,772	-
Total	<u>\$ 127,162</u>	<u>\$ 329,420</u>

**NOTE 3: INVESTMENTS:**

Investments authorized at December 31, 2016 by the District's investment policy:

	<u>Carrying Amount</u>	<u>Market Value</u>
Corporate and Government Bonds	\$ 330,626	\$ 330,626
Total Investments	<u>\$ 330,626</u>	<u>\$ 330,626</u>

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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.

**NOTE 4: 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 obtain 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, 2016 was \$1,362,048.

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, 2016 was \$310,541.

Debt service requirements at December 31, 2016 are as follows:

**USDA 2015A**

<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2017	\$ 58,932	\$ 38,896	\$ 20,036	\$ 1,342,012
2018	58,932	38,313	20,619	1,321,393
2019	58,932	37,712	21,220	1,300,173
2020	58,932	37,093	21,839	1,278,334
2021	58,932	36,457	22,475	1,255,859
2022-2026	294,660	172,076	122,584	1,133,275
2027-2031	294,660	153,150	141,510	991,765
2032-2036	294,660	131,302	163,358	828,407
2037-2041	294,660	106,080	188,580	639,827
2042-2046	294,660	76,963	217,697	422,130
2047-2051	294,660	43,352	251,308	170,822
2052-2055	178,577	7,755	170,822	-
Total	<u>\$ 2,241,197</u>	<u>\$ 879,149</u>	<u>\$ 1,362,048</u>	



**USDA 2015B**

<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2017	\$ 13,488	\$ 8,867	\$ 4,621	\$ 305,920
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
2022-2026	67,440	39,171	28,269	257,783
2027-2031	67,440	34,806	32,634	225,149
2032-2036	67,440	29,767	37,673	187,476
2037-2041	67,440	23,951	43,489	143,987
2042-2046	67,440	17,236	50,204	93,783
2047-2051	67,440	9,485	57,955	35,828
2052-2055	37,314	1,486	35,828	-
Total	<u>\$ 509,394</u>	<u>\$ 198,853</u>	<u>\$ 310,541</u>	

**NOTE 5: 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.

**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.

**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, 2016 is \$14,810.

**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, 2016 is \$9,945.

**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 account at year end is \$33,650.

**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, 2016.

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

**NOTE 6: PREMISES CONNECTED TO SYSTEM:**

On December 31, 2016, premises connected to the water and sewer system are:

Water and Sewer - Full Service	472
Water and Sewer - Connected But Turned Off	40

**NOTE 7: 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 2016, the District contracted with several companies for various types of insurance coverage as follows:

<u>Insurer &amp; 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	7/01/17
-Medical	\$5,000 per person/\$50,000 per accident	
-Uninsured Motorist	\$750,000 per claim/ \$1,500,000 per occurrence	
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	7/01/17
<u>State of Montana</u>		
Workers' Compensation	\$100,000	7/01/17
<u>Redland Insurance Company</u>		
Flood insurance	\$160,700	5/09/17

**NOTE 8: PENSION PLAN:**

The District has adopted a S.I.M.P.L.E. Employee Pension Plan that covers all of their employees with over one year of service. The plan provides for full vesting after five years of service, and benefits are principally based on employees' earnings and/or length of service. The amount of pension cost recognized during the 12 months ended December 31, 2016 and 2015 was \$3,507 and \$4,076, respectively.

**NOTE 9: CAPITAL ASSETS:**

Capital assets, as of December 31, 2016, are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Buildings and System Improvements	\$ 3,008,614	\$ 4,749,398	\$ -	\$ 7,758,012
Furniture, Fixtures and Equipment	591,894	16,642	-	608,536
Total Capital Assets Being Depreciated	<u>3,600,508</u>	<u>4,766,040</u>	<u>-</u>	<u>8,366,548</u>
Less Accumulated Depreciation				
Buildings and System Improvements	2,286,128	90,893	-	2,377,021
Furniture, Fixtures and Equipment	352,710	6,998	-	359,708
Total Accumulated Depreciation	<u>2,638,838</u>	<u>97,891</u>	<u>-</u>	<u>2,736,729</u>
Total Capital Assets Being Depreciated, Net	<u>961,670</u>	<u>4,668,149</u>	<u>-</u>	<u>5,629,819</u>
Construction in Progress	<u>2,784,864</u>	<u>13,276</u>	<u>2,784,864</u>	<u>13,276</u>
Total Net Capital Assets	<u><b>\$ 3,746,534</b></u>	<u><b>\$ 4,681,425</b></u>	<u><b>\$ 2,784,864</b></u>	<u><b>\$ 5,643,095</b></u>

**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, 2015 from which the summarized information was derived.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Agency / (Pass-Through Agency)</u>	<u>Federal Program</u>	<u>CFDA Number</u>	<u>From Direct Awards</u>	<u>Total</u>
United States Department of Agriculture	Water and Waste Disposal Systems for Rural Communities	10.760	\$ 3,070,483	\$ 3,070,483
Total USDA Water and Waste Program Cluster			3,070,483	3,070,483
Total Federal Awards			<u>\$ 3,070,483</u>	<u>\$ 3,070,483</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 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

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**NOTE 1: BASIS OF ACCOUNTING:**

This schedule is prepared on the same basis of accounting as the District's financial statements. The District uses the accrual basis of accounting. The purpose of this schedule is to present a summary of those activities of the District for the year ended December 31, 2016, which have been financed by federal awards. Because the schedule presents only federal awards activity of the District, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the District.

**NOTE 2: PROGRAM COSTS:**

The amounts shown as current year expenditures represent only the federal grant and loan portion of the program costs. Entire program costs, including the District's portion, are more than shown on the schedule. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3: FEDERAL LOANS:**

The District was approved by the USDA Rural Utilities Service to receive two loans totaling \$1,719,000 to build a new water treatment plant. The balance of the loans at December 31, 2016 totaled \$1,672,589. The amount included in the schedule from these two loans includes the proceeds used during the year and the outstanding loan balances from the prior year (the beginning balance). The following is a summary of federal loans included as federal awards in the schedule:

	<u>USDA Loan A</u>	<u>USDA Loan B</u>	<u>Total Federal Loans</u>
Beginning Balance as of December 31, 2015	\$ 210,933	\$ 12,736	\$ 223,669
Draws in 2016	1,173,766	303,999	1,477,765
<b>Total Federal Loans included in the Schedule</b>	<b><u>\$ 1,384,699</u></b>	<b><u>\$ 316,735</u></b>	<b><u>\$ 1,701,434</u></b>

**NOTE 4: INDIRECT COST RATE:**

The District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The District uses the rates established directly with the respective federal agency.

**NOTE 5: PASS THROUGH TO SUBRECIPIENTS:**

No amounts of the federal awards were passed through to subrecipients.



*Douglas* **WILSON**  
*and Company, P.C.*

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, 2016, 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 26, 2017.

**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.

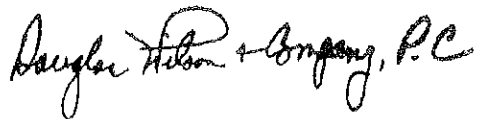
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during 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 26, 2017



**Douglas WILSON**  
and Company, PC

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Report on Compliance for Each Major Federal Program**

We have audited the Sun Prairie Village County Water and Sewer District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Sun Prairie Village County Water and Sewer District's major federal program for the year ended December 31, 2016. Sun Prairie Village County Water and Sewer District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Sun Prairie Village County Water and Sewer District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sun Prairie Village County Water and Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Sun Prairie Village County Water and Sewer District's compliance.



### ***Opinion on the Major Federal Program***

In our opinion, the Sun Prairie Village County Water and Sewer District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2016.

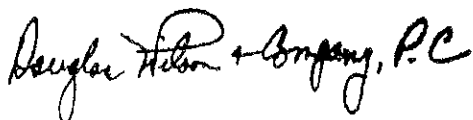
### **Report on Internal Control over Compliance**

Management of the Sun Prairie Village County Water and Sewer District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sun Prairie Village County Water and Sewer District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sun Prairie Village County Water and Sewer District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Great Falls, Montana  
July 26, 2017

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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**I. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of Uniform Guidance audit	Single Audit
Audit period covered	Annual
Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness(es) identified	No
Significant deficiencies identified	None reported
Noncompliance material to financial statements identified	No

Federal Awards

Internal control over major programs	
Material weakness(es) identified	No
Significant deficiencies identified	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance in with Uniform Guidance	No
Identification of programs tested as major	U.S. Department of Agriculture 10.760
Dollar threshold used to distinguish between type A & B programs	\$ 750,000
Auditee qualified as a low risk auditee:	No

**II. FINANCIAL STATEMENT FINDINGS**

There are no financial statement findings to be reported.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no federal award findings and questioned costs to be reported.

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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There were no prior year audit findings.