

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

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 2014

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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, 2014**

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

LETTER OF TRANSMITTAL

July 20, 2015

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, 2014. 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 four 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,

General Manager

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>
Kevin Askeland	President	4 Years	11/30/2015
Floris Dyke	Vice-President	4 Years	11/30/2015
Tracie DeBolt	Member	4 Years	11/30/2017
Roland Martin	Member	4 Years	11/30/2017
Richard Matiska	Member	4 Years	11/30/2017

Administrative Officials

Bill Decker	General Manager
Janet Fulmer	Secretary/Treasurer



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
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the District's December 31, 2013 financial statements, and in our report dated July 21, 2014, 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, 2014, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 an opinion on the financial statements that collectively comprise the 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 letter of transmittal and list of board of directors and administrative officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2015, 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 20, 2015

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 \$383,696 in calendar year 2014. This was a decrease of 5.1% from the prior year.

Total operating expenses before depreciation and amortization were \$270,094 in calendar year 2014, an increase of 3.6% from the prior year.

Total net position as of December 31, 2014 was \$2,653,768, an increase of \$135,730 from total net assets as December 31, 2013.

Total capital assets (net of depreciation) were \$1,836,567 as of December 31, 2014, an increase of \$21,967 or 1.2% more than December 31, 2013. This increase in total capital assets is primarily the result 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 16, 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, 2014 was \$2,653,768, an increase of \$135,730 or 5.4% from December 31, 2013 (See Table A-1). Total assets increased \$127,886 or 5% and total liabilities decreased \$7,844 or 22.6%.

**TABLE A-1
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT
FUND NET POSITION
AS OF DECEMBER 31, 2014**

	2014	2013	% Change
Current and Other Assets	\$ 325,506	\$ 314,048	3.6%
Restricted Assets	518,503	424,042	22.3%
Capital Assets	1,836,567	1,814,600	1.2%
Total Assets	<u>\$ 2,680,576</u>	<u>\$ 2,552,690</u>	5.0%
 Total Liabilities	 \$ 26,808	 \$ 34,652	 -22.6%
 Net Position:			
Net Investment in Capital Assets	\$ 1,836,567	\$ 1,814,600	1.2%
Restricted	518,503	424,042	22.3%
Unrestricted	298,698	279,396	6.9%
Total Net Position	<u>\$ 2,653,768</u>	<u>\$ 2,518,038</u>	5.4%

The largest portion of the Sun Prairie Village County Water and Sewer District's total assets at December 31, 2014, \$1,836,567 of \$2,680,576 (69%), 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, 2014 and 2013, the District's liabilities consisted only of accounts payable and customer deposits.

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, 2014

	2014	2013	% Change
Operating Revenues			
User Fees	\$ 379,838	\$ 394,244	-3.7%
Connection Fees	3,374	9,422	-64.2%
Other Income	484	528	-8.3%
Total Operating Revenues	<u>383,696</u>	<u>404,194</u>	-5.1%
Operating Expenses			
Total Operating Expenses Before			
Depreciation and Amortization	270,094	260,756	3.6%
Depreciation and Amortization	<u>98,635</u>	<u>101,935</u>	-3.2%
Total Operating Expenses Including			
Depreciation and Amortization	<u>368,729</u>	<u>362,691</u>	1.7%
Operating Gain (Loss)	14,967	41,503	-63.9%
Non-operating Revenues net of Non-operating			
Expenses	<u>120,763</u>	<u>285,808</u>	-57.7%
Change in Net Position	135,730	327,311	-58.5%
Total Net Position, Beginning	<u>2,518,038</u>	<u>2,190,727</u>	14.9%
Total Net Position, Ending	<u>\$ 2,653,768</u>	<u>\$ 2,518,038</u>	5.4%

Operating Revenues - Operating revenues are composed of user fees and connection fees. Operating revenues decreased \$20,498 from last year. This decrease is mostly due to a reduction of the monthly service rate after the series 1994 water bonds were repaid in 2013.

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 \$4,747 or 3.3% over calendar year 2013.

Other Operating Costs - Other operating costs include repairs, maintenance, parts, materials and supplies, insurance, utilities, vehicle operations, and other expenses. Other operating costs increased \$4,591 or 3.9% compared to the prior year.

Non-Operating Revenues and Expenses, Net - Non-operating revenues and expenses increased by \$165,045, due to less reimbursement grants received for construction of the new water system project.

Capital Assets - As of December 31, 2014, Sun Prairie Village County Water and Sewer District had invested \$4,381,721 in capital assets. Net of accumulated depreciation, Sun Prairie Village County Water and Sewer District's net capital assets as of December 31, 2014 totaled \$1,836,567 (See Table A-3). This amount represents a net increase of \$21,967 or 1.2% from December 31, 2013.

**TABLE A-3
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT'S
CAPITAL ASSETS (NET OF DEPRECIATION)
AS OF DECEMBER 31, 2014**

	2014	2013	% Change
Building and Improvements	\$ 3,008,614	\$ 3,008,614	0.0%
Equipment	591,486	587,864	0.6%
Construction in Progress	781,621	666,025	17.4%
Accumulated Depreciation	<u>(2,545,154)</u>	<u>(2,447,903)</u>	4.0%
Total Net Capital Assets	<u><u>\$ 1,836,567</u></u>	<u><u>\$ 1,814,600</u></u>	1.2%

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 - As of December 31, 2014, Sun Prairie Village County Water and Sewer District had no outstanding debt.

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 Bill Decker, General Manager, and P.O. Box 1127, Great Falls, MT 59403.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

STATEMENT OF NET POSITION AS OF DECEMBER 31, 2014
(WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2013)

	Water Fund	Sewer Fund	Total	
			2014	2013
ASSETS				
Current:				
Cash and Cash Equivalents	\$ 71,204	\$ 95,247	\$ 166,451	\$ 177,959
Investments	68,999	52,494	121,493	97,940
Accounts Receivable	20,110	8,467	28,577	27,920
Allowance for Uncollectible Accounts Receivable	(10,800)	(7,200)	(18,000)	(18,000)
Prepaid Expenses	3,410	1,967	5,377	5,238
Total Current Assets	<u>152,923</u>	<u>150,975</u>	<u>303,898</u>	<u>291,057</u>
Restricted:				
Cash and Cash Equivalents	84,091	117,181	201,272	345,235
Grants Receivable	9,513	-	9,513	-
Investments	154,421	153,297	307,718	78,807
Total Restricted Assets	<u>248,025</u>	<u>270,478</u>	<u>518,503</u>	<u>424,042</u>
Capital Assets:				
Buildings and Improvements	1,325,674	1,682,940	3,008,614	3,008,614
Equipment	206,288	385,198	591,486	587,864
Construction in Progress	781,621	-	781,621	666,025
	<u>2,313,583</u>	<u>2,068,138</u>	<u>4,381,721</u>	<u>4,262,503</u>
Less: Accumulated Depreciation	<u>(1,158,607)</u>	<u>(1,386,547)</u>	<u>(2,545,154)</u>	<u>(2,447,903)</u>
Total Capital Assets	<u>1,154,976</u>	<u>681,591</u>	<u>1,836,567</u>	<u>1,814,600</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	<u>(6,000)</u>	<u>(45,776)</u>	<u>(51,776)</u>	<u>(50,393)</u>
Total Other Assets	<u>-</u>	<u>21,608</u>	<u>21,608</u>	<u>22,991</u>
Total Assets	<u>1,555,924</u>	<u>1,124,652</u>	<u>2,680,576</u>	<u>2,552,690</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	18,472	2,016	20,488	30,247
Customer Deposits	4,424	1,896	6,320	4,405
Total Current Liabilities	<u>22,896</u>	<u>3,912</u>	<u>26,808</u>	<u>34,652</u>
Total Liabilities	<u>22,896</u>	<u>3,912</u>	<u>26,808</u>	<u>34,652</u>
Net Position:				
Net Investment in Capital Assets	1,154,976	681,591	1,836,567	1,814,600
Restricted	248,025	270,478	518,503	424,042
Unrestricted	130,027	168,671	298,698	279,396
Total Net Position	<u>\$ 1,533,028</u>	<u>\$ 1,120,740</u>	<u>\$ 2,653,768</u>	<u>\$ 2,518,038</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, 2014
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Water Fund	Sewer Fund	Total	
			2014	2013
Revenue:				
User Fees	\$ 221,577	\$ 158,261	\$ 379,838	\$ 394,244
Connection Fees	2,014	1,360	3,374	9,422
Other Income	242	242	484	528
Total Revenue	<u>223,833</u>	<u>159,863</u>	<u>383,696</u>	<u>404,194</u>
Expenses:				
Salaries	74,145	49,430	123,575	119,135
Payroll Taxes and Insurance	6,996	4,664	11,660	11,400
Retirement	2,506	1,671	4,177	4,130
Cafeteria Contribution Expense	4,320	2,880	7,200	7,200
Depreciation and Amortization	37,707	60,928	98,635	101,935
Chemical Supplies	13,694	1,611	15,305	13,138
Laboratory Testing and Supplies	458	3,403	3,861	4,684
Contract Labor	4,065	555	4,620	7,907
Professional Fees	4,550	3,033	7,583	7,284
Repairs and Maintenance	4,412	228	4,640	3,946
Easements	12,000	-	12,000	12,000
Vehicle Operations	4,714	4,991	9,705	7,155
Utilities	28,032	12,445	40,477	38,066
Office	5,132	3,629	8,761	8,289
Insurance	6,577	5,385	11,962	11,750
Miscellaneous	2,833	1,735	4,568	4,672
Total Operating Expenses	<u>212,141</u>	<u>156,588</u>	<u>368,729</u>	<u>362,691</u>
Operating Income (Loss)	<u>11,692</u>	<u>3,275</u>	<u>14,967</u>	<u>41,503</u>
Non-Operating Revenues and (Expenses):				
Interest Income	3,132	2,694	5,826	5,969
Interest Expense	-	-	-	(744)
Net Increase (Decrease) in the Fair Value of Investments	2,356	1,248	3,604	(10,460)
Total Non-Operating Revenue (Expenses), Net	<u>5,488</u>	<u>3,942</u>	<u>9,430</u>	<u>(5,235)</u>
Capital Contributions	<u>111,333</u>	<u>-</u>	<u>111,333</u>	<u>291,043</u>
Change in Net Position	128,513	7,217	135,730	327,311
Net Position, Beginning of Year	<u>1,404,515</u>	<u>1,113,523</u>	<u>2,518,038</u>	<u>2,190,727</u>
Net Position, End of Year	<u>\$ 1,533,028</u>	<u>\$ 1,120,740</u>	<u>\$ 2,653,768</u>	<u>\$ 2,518,038</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, 2014
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2013)**

	Water Fund	Sewer Fund	Total	
			2014	2013
Cash Flows from Operating Activities:				
Cash Receipts from Customers	\$ 224,572	\$ 159,898	\$ 384,470	\$ 399,425
Cash Receipts from Other Sources	242	242	484	528
Cash Paid for Goods and Services	(96,848)	(36,533)	(133,381)	(208,705)
Cash Paid for Employees	(87,967)	(58,645)	(146,612)	(141,865)
Net Cash Provided by Operating Activities	<u>39,999</u>	<u>64,962</u>	<u>104,961</u>	<u>49,383</u>
Cash Flows from Investing Activities:				
Purchase of Investments	(131,204)	(121,412)	(252,616)	(76,228)
Investments Sold and Matured	35	117	152	8,244
Net Investment Income (Loss)	5,488	3,942	9,430	(4,491)
Net Cash Provided by Investing Activities	<u>(125,681)</u>	<u>(117,353)</u>	<u>(243,034)</u>	<u>(72,475)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of Fixed Assets	(118,571)	(647)	(119,218)	(212,546)
Capital Contributions	101,820	-	101,820	291,043
Principal Paid on Bonds	-	-	-	(16,435)
Interest Paid on Bonds	-	-	-	(744)
Net Cash Used by Capital and Related Financing Activities	<u>(16,751)</u>	<u>(647)</u>	<u>(17,398)</u>	<u>61,318</u>
Net Increase (Decrease) in Cash	(102,433)	(53,038)	(155,471)	38,226
Cash at Beginning of Year	257,728	265,466	523,194	484,968
Cash at End of Year	<u>\$ 155,295</u>	<u>\$ 212,428</u>	<u>\$ 367,723</u>	<u>\$ 523,194</u>
Reconciliation of Operating Income (Loss) to net cash provided by Operating Activities:				
Operating Income (Loss)	\$ 11,692	\$ 3,275	\$ 14,967	\$ 41,503
Adjustments to Reconcile Operating Income (Loss) to net cash flows from Operating Activities:				
Noncash items included in Operating Income:				
Depreciation	37,570	59,681	97,251	100,388
Amortization	137	1,246	1,383	1,547
Changes in Assets and Liabilities:				
Accounts Receivable	(359)	(298)	(657)	(3,072)
Prepaid Expenses	(83)	(56)	(139)	(52)
Accounts Payable	(10,298)	539	(9,759)	(89,762)
Customer Deposits	1,340	575	1,915	(1,169)
Net Cash Provided by Operating Activities	<u>\$ 39,999</u>	<u>\$ 64,962</u>	<u>\$ 104,961</u>	<u>\$ 49,383</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:				
Cash and Cash Equivalents - Unrestricted	\$ 71,204	\$ 95,247	\$ 166,451	\$ 177,959
Cash and Cash Equivalents - Restricted	84,091	117,181	201,272	345,235
Cash and Cash Equivalents	<u>\$ 155,295</u>	<u>\$ 212,428</u>	<u>\$ 367,723</u>	<u>\$ 523,194</u>
Non-Cash Investing, Capital and Financing Activities:				
Construction in Progress acquired through Accounts Payable	<u>\$ 13,689</u>	<u>\$ -</u>	<u>\$ 13,689</u>	<u>\$ 25,316</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, 2014**

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 Standards - Beginning for the year ended December 31, 2012, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the District's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

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, 2014.

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 U.S. government 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, 2014.

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.

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	\$ 235,410	\$ 270,478
Improvement Project Fund account	3,102	-
Grants Receivable	9,513	
Total	<u>\$ 248,025</u>	<u>\$ 270,478</u>

Restrictions are detailed under the specific liability notes.

NOTE 3: PREMISES CONNECTED TO SYSTEM:

On December 31, 2014, premises connected to the water and sewer system are:

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

NOTE 4: 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 2014, the District contracted with several companies for various types of insurance coverage as follows:

<u>Insurer & 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	7/01/15
-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	7/01/15
<u>State of Montana</u> Workers' Compensation	\$100,000	7/01/15
<u>Redland Insurance Company</u> Flood insurance	\$160,700	5/09/15

NOTE 5: PENSION PLANS:

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, 2014 and 2013 was \$4,177 and \$4,130, respectively.

NOTE 6: CAPITAL ASSETS:

Capital assets, as of December 31, 2014, are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 3,008,614	\$ -	\$ -	\$ 3,008,614
Furniture, Fixtures and Equipment	587,864	3,622	-	591,486
Total Capital Assets Being Depreciated	<u>3,596,478</u>	<u>3,622</u>	<u>-</u>	<u>3,600,100</u>
Less Accumulated Depreciation				
Buildings and Improvements	2,116,718	82,663	-	2,199,381
Furniture, Fixtures and Equipment	331,185	14,588	-	345,773
Total Accumulated Depreciation	<u>2,447,903</u>	<u>97,251</u>	<u>-</u>	<u>2,545,154</u>
Total Capital Assets Being Depreciated, Net	<u>1,148,575</u>	<u>(93,629)</u>	<u>-</u>	<u>1,054,946</u>
Construction in Progress	<u>666,025</u>	<u>115,596</u>	<u>-</u>	<u>781,621</u>
Total Net Capital Assets	<u>\$ 1,814,600</u>	<u>\$ 21,967</u>	<u>\$ -</u>	<u>\$ 1,836,567</u>

NOTE 7: COMMITMENTS:

The District is committed under various contracts for the completion of the water system improvement project. Management estimates the total costs to complete this project to be approximately \$4,100,000.

NOTE 8: 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, 2013 from which the summarized information was derived.



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
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

Douglas N. Wilson, CPA
Bruce H. Gaare, CPA
Dixie L. Swanson, 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, 2014, 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 20, 2015.

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 20, 2015