

**NORTH CENTRAL MONTANA
REGIONAL WATER AUTHORITY**

HAVRE, MONTANA

**FINANCIAL STATEMENTS
AS OF
JUNE 30, 2015 AND 2014**

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Douglas Wilson & Company, P.C.

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NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

HAVRE, MONTANA

**OFFICIALS
JUNE 30, 2015**

MEMBER ENTITIES

Municipalities

Town of Big Sandy
Town of Dutton
City of Shelby
Town of Sunburst
City of Cut Bank
City of Havre
Town of Kevin
Town of Chester
City of Conrad

Water Districts

Brady County
North Havre County
Sweetgrass Community
Hill County
Loma County
Oilmont County
Sage Creek County
Tiber County
South Chester County
Galata County

EXECUTIVE COMMITTEE

Larry Bonderud, President – City of Shelby
Shaud Schwarzbach, Vice-President – Town of Big Sandy
Jeff Jensen, Secretary - City of Havre
Cheryl Curry, Treasurer – City of Conrad
Jim Suta, At-Large Member – City of Cut Bank



Douglas **WILSON**
CPA

Executive Committee
North Central Montana Regional Water Authority
Havre, 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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the North Central Montana Regional Water Authority (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 Authority'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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Central Montana Regional Water Authority as of June 30, 2015, and the changes in financial position, and cash flows 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 7 through 10 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 North Central Montana Regional Water Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 Matter

The prior year comparative information has been derived from the North Central Montana Regional Water Authority's 2014 basic financial statements and, in our report dated January 27, 2015, we expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of 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 the Authority's internal control over financial reporting and compliance.



Great Falls, Montana
March 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 20, 2015

As management of the North Central MT Regional Water Authority (herein referred to as "Authority"), we offer readers of the Authority's financial statements this narrative overview of the financial activities of the Authority for the fiscal year ending June 30, 2015. Reading this narrative in conjunction with the Authority's financial statements should give you a complete overview of the activities and the financial status of the Authority.

The purpose of the Authority is to construct and to operate a Regional Water System in North Central Montana.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. All the funds for the Authority are considered Proprietary Funds (or Enterprise funds) for the sole purpose of constructing and operating the Regional Water System. These basic financial statements are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. These financial statements use the accrual basis of accounting.

Highlights

- The Rocky Boy's/North Central Montana Regional Water Authority "Project" was authorized under Public Law 107-331 for \$377 million in dollars indexed through federal year 2017.
- The system consists of a core system, non-core system and on-reservation water distribution system. The core and on-reservation water distribution systems provide water to the Rocky Boy's Reservation and are held in trust by the United States for the Tribe. The non-core system provides wholesale water to off-reservation systems and is owned by the North Central Montana Regional Water Authority. Existing municipal and rural water district systems currently deliver water to off-reservation users who will receive wholesale water from this project. The existing distribution systems are not part of this project and are not under the control of the Authority or Tribe.
- The legislation requires the Authority to pay for the incremental increased cost of the Core System or 24%.
- The cost share for the Authority is 80% federal and 20% non-federal. The State of Montana has agreed to provide a dollar for dollar match of local funds.
- The Project has not been included within the President's Budget. Hence it is reliant on Congressional designated funding.
- Each year, the Tribe and Authority negotiate a split of the federal appropriations. Through June 30, 2015 the Authority has been appropriated \$14,153,782 in federal funds and of the federal funds appropriated \$10,920,854 has been expended.

- The Authority received a grant from the Department of Natural Resources and Conservation for the on-going administration costs. The contract (RW-14-037) provided \$188,000 in fiscal year 2015. The Authority is able to utilize this grant as match to the federal funds.
- The Authority's net assets increased by \$821,110 to \$12,208,433 in fiscal year 2015. The increase was from federal and state grant funds used for the construction of the Conrad to Brady County Water and Sewer District distribution system and the final design and easements acquisitions of the Shelby to Cut Bank segment.
- Capital assets increased \$580,733 due to easement acquisitions and final design work for the Shelby to Cut Bank segment along with the construction of the Conrad to Brady County Water and Sewer District segment.
- The Authority's revenues and expenses increased from the previous fiscal year. Expenses increased \$643,026 in fiscal year 2015 to \$1,336,406 and revenues increased \$1,006,691 to \$1,493,348. The majority of the expense increase was for Core System pipeline. The revenue increases were from grant funds received for the Core System pipeline and for the payment on interim financing.
- The Authority borrowed \$264,602 in fiscal year 2014 as interim financing to cover the design and investigation services for the Cut Bank segment. \$259,602 of the interim loan was repaid with funding from Bureau of Reclamation's fiscal year 2014 appropriation in September 2014. \$87,047 was also borrowed as a long term loan to help fund the local contribution required by the federal legislation. Water utility revenues are pledged to cover the debt service requirements.

**NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY
NET POSITION**

	<u>6/30/15</u>	<u>6/30/14</u>
Current and Other Assets	\$ 527,785	\$ 425,545
Capital Assets	12,127,247	11,546,514
Restricted Assets	112,555	49,042
Total Assets	<u>12,767,587</u>	<u>12,021,101</u>
Current and Other Liabilities	383,154	534,825
Long-Term Liabilities	176,000	98,953
Total Liabilities	<u>559,154</u>	<u>633,778</u>
Net Position:		
Net Investment in Capital Assets	11,938,247	11,176,959
Restricted	112,555	49,042
Unrestricted	157,631	161,322
Total Net Position	<u><u>\$ 12,208,433</u></u>	<u><u>\$ 11,387,323</u></u>

**NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY
CHANGES IN NET POSITION**

	<u>6/30/15</u>	<u>6/30/14</u>
Program Revenues		
State and Federal Grants	\$ 1,128,189	\$ 412,199
Charges for Services	104,333	69,095
Miscellaneous	1,225	5,363
Total Revenues	<u>1,233,747</u>	<u>486,657</u>
Program Expenses		
Personal Services	87,578	93,122
Travel	7,849	9,132
Audit	6,850	6,850
Rent	565	790
Contracted Services	390,181	386,738
Annual Fee	844	845
Advertising & Promotion	2,982	403
Insurance	4,776	6,392
Office Supplies	2,801	3,237
Depreciation	123,770	126,837
Miscellaneous	1,293	1,931
Auto	198	198
Water Utility System Operations	88,012	56,905
Core System - Pipe & Distribution (Pass Through)	618,707	-
Total Expenses	<u>1,336,406</u>	<u>693,380</u>
Operating Income (Loss)	(102,659)	(206,723)
Non-Operating Revenue (Expense)		
Gain on Asset Sale	-	6,930
Interest Revenue	938	1,055
Interest Expense	(6,360)	(2,932)
Total Non-Operating Revenue	<u>(5,422)</u>	<u>5,053</u>
Income Before Capital Contributions	(108,081)	(201,670)
Capital Contributions from Grants	<u>929,191</u>	<u>3,373,445</u>
Change in Net Position	<u>\$ 821,110</u>	<u>\$ 3,171,775</u>

Economic Factors and Next Year's Budgets

- The project is dependent on Federal Appropriation request. \$3,250,928 of fiscal year 2014 funding is available to draw down when needed for eligible expenditures. Subsequent to June 30, 2015 the Authority was awarded additional federal funds of \$3,870,760 for the project.

- The Authority's has an administrative grant from the Department of Natural Resources and Conservation which provides \$200,000 for fiscal years 2016 and 2017.
- The Authority has two grants from the Department of Natural Resources and Conservation for the Shelby to Cut Bank segment construction and construction engineering \$11,361,821.

Contacting the North Central Montana Regional Water Authority

The North Central Montana Regional Water Authority had the financial report prepared in accordance with *Government Auditing Standards* to provide information to member systems and governmental regulatory agencies. If you should have any questions or need additional information contact:

Jody Hellegaard, General Manager
North Central Montana Regional Water Authority
PO Box 2456
Havre MT 59501
Telephone Number: 406-945-4343

NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

HAVRE, MONTANA

**STATEMENT OF NET POSITION
AS OF JUNE 30, 2015
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2014)**

	6/30/15	6/30/14
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 233,110	\$ 276,452
Grant Receivable	276,429	136,589
Inventory Asset	1,000	1,000
Accounts Receivable	17,246	11,504
Total Current Assets	527,785	425,545
Restricted Assets:		
Cash	112,555	49,042
Fixed Assets:		
Equipment	6,197	6,197
Water Utility System	10,092,792	6,160,015
Accumulated Depreciation	(484,402)	(360,631)
Total Fixed Assets	9,614,587	5,805,581
Other Assets:		
Easements	137,459	125,823
Construction in Progress	2,375,201	5,615,110
Total Other Assets	2,512,660	5,740,933
Total Assets	\$ 12,767,587	\$ 12,021,101
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accrued Liabilities	\$ 275,923	\$ 186,745
Current Portion of Long-Term Debt - Revenue Bonds	13,000	270,602
Grant Revenue Received in Advance	94,231	77,478
Total Current Liabilities	383,154	534,825
Long-Term Liabilities:		
Long-Term Debt - Revenue Bonds	176,000	98,953
Total Liabilities	559,154	633,778
Net Position:		
Net Investment in Capital Assets	11,938,247	11,176,959
Restricted	112,555	49,042
Unrestricted	157,631	161,322
Total Net Position	12,208,433	11,387,323
Total Liabilities and Net Position	\$ 12,767,587	\$ 12,021,101

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

NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

HAVRE, MONTANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2014)

	6/30/15	6/30/14
Operating Revenues:		
Grants Received	\$ 1,128,189	\$ 412,199
Miscellaneous Income	1,225	5,363
Charges for Services	104,333	69,095
Total Operating Revenues	1,233,747	486,657
Operating Expenditures:		
Personnel Services	87,578	93,122
Travel	7,849	9,132
Audit	6,850	6,850
Rent	565	790
Membership	452	451
Professional Consultants	10,533	25,793
Legislative Support Services	92,724	71,818
Legal - Authority	6,278	53,517
Engineering Services	280,646	218,610
Core System	618,707	-
Annual Fee	844	845
Advertising & Promotion	2,982	403
Legal- Bond Counsel	-	17,000
Insurance	4,776	6,392
Office Supplies	2,801	3,237
Operating and Maintenance-Purchased Water	60,159	37,901
Operating and Maintenance-Utility	27,853	19,004
Miscellaneous	1,039	1,678
Depreciation	123,770	126,837
Total Operating Expenditures	1,336,406	693,380
Change in Net Position from Operations	(102,659)	(206,723)
Non-Operating Revenue (Expense)		
Gain on Asset Sale	-	6,930
Interest Expense	(6,360)	(2,932)
Interest	938	1,055
Total Non-Operating Revenue	(5,422)	5,053
Income Before Capital Contributions	(108,081)	(201,670)
Capital Contributions	929,191	3,373,445
Change in Net Position	821,110	3,171,775
Net Position, Beginning of Period	11,387,323	8,215,548
Net Position, End of Period	\$ 12,208,433	\$ 11,387,323

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

NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

HAVRE, MONTANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2014)

	6/30/15	6/30/14
Cash Flows from Operating Activities:		
Receipts from Grants	\$ 1,128,189	\$ 412,199
Receipts from Customers and Users	98,591	64,531
Miscellaneous Receipts	1,225	5,363
Payments to Employees	(87,578)	(93,122)
Payments for Professional Services	(390,181)	(369,738)
Payments for Administration Expenditures	(725,515)	(59,702)
Net Cash Provided (Used) by Operating Activities	<u>24,731</u>	<u>(40,469)</u>
Cash Flows from Investing Activities:		
Proceeds from Asset Sale	-	21,904
Interest Earned	938	1,055
Net Cash Provided (Used) by Investing Activities	<u>938</u>	<u>22,959</u>
Cash Flows from Capital and Related Financing Activities:		
Capital Contributions	806,104	3,382,608
Equipment and Water Utility System Additions	(18,357)	(37,278)
Issuance of Long Term Debt	87,047	277,555
Payment of Long-Term Debt	(267,602)	(4,000)
Payment of Interest on Long-Term Debt	(6,360)	(2,932)
Construction in Progress	(606,330)	(3,594,819)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,498)</u>	<u>21,134</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,171	3,624
Beginning Cash and Cash Equivalents	325,494	321,870
Ending Cash and Cash Equivalents	<u>\$ 345,665</u>	<u>\$ 325,494</u>
Statement of Net Position Classification of Cash and Cash Equivalents		
Cash and Cash Equivalents	\$ 233,110	\$ 276,452
Restricted Cash	112,555	49,042
Total	<u>\$ 345,665</u>	<u>\$ 325,494</u>
Reconciliation of Net Position to Net Cash Provided by Operating Activities:		
Change in Net Position from Operations	\$ (102,659)	\$ (206,723)
Adjustments to Reconcile Increase in Net Position to Net Cash Provided (Used) by Operating Activities:		
Depreciation	123,770	126,837
Changes in Net Position		
(Increase) Decrease in Accounts Receivable	(5,742)	(4,564)
(Increase) Decrease in Inventory Asset	-	-
Increase (Decrease) in Accrued Liabilities	9,362	43,981
Net Cash Provided (Used) by Operating Activities	<u>\$ 24,731</u>	<u>\$ (40,469)</u>

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

NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

HAVRE, MONTANA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2015

BACKGROUND

North Central Montana Regional Water Authority (the Authority) was incorporated in April 2000 under the provisions of Montana Senate Bill 302, which was enacted in 1999. The Authority was created as a regional water authority to include municipalities and water districts in North Central Montana. In 2002, the US Congress authorized the regional project under Public Law 107-331. The purpose of the Water Authority is to:

- 1) Pursue the development, authorization, planning, design, and construction of the North Central Montana Regional Water System.
- 2) Secure a source of water on a scale larger than is feasible for individual public agencies acting alone.
- 3) Issue revenue bonds and notes to fund the non-tribal component of the Rocky Boy/North Central Montana Regional Water System.
- 4) Sell water to public service districts, municipalities, publicly and privately owned water utilities, and others.
- 5) Provide administration, operation and maintenance, and billing and collection for the Authority.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity - In evaluating how to define the reporting entity of the Authority for financial reporting purposes, management applied the standards set forth in GASB 14.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body *and* either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Authority is a separate entity established by Montana law. No county or city is responsible for funding its deficits. Outstanding debt is secured by assets and revenues of the Authority and not by any of the counties, cities, etc. The counties and the cities are not entitled to any surpluses of the Authority.

Based on the foregoing criteria, only the operations of the North Central Montana Regional Water Authority are included in the Authority's financial reporting.

Basis of Accounting - The Authority adopted the accrual method of accounting to record revenues and expenses. Therefore, revenues are recognized when earned and expenses are recognized when incurred without regard to time or receipt of payment.

Cash and Cash Equivalents - The Authority considers cash in the bank and all certificates of deposits to be cash equivalents. The cash and cash equivalents are collateralized with securities held by the banks in which the Authority has its deposits.

Fixed Assets - All acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost and depreciation is computed using primarily the straight-line method. Payments to landowners for easements have an indefinite life and will not be depreciated.

Accounts Receivable - These amounts are due from water customers of the Authority. The Authority uses the allowance method for bad debts. All accounts are considered to be collectible as of June 30, 2015 and 2014.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Expense Classification - The Authority distinguishes operating revenues and expenses from non-operating items in preparation of its financial statements. Operating revenues and expenses result from providing water services and grant awards in connection with the Authority's principal on-going operations. Currently, the principal operating revenues are generated from federal and state grant awards. The Authority's operating expenses include those items directly related to the grant activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*.

Fund Accounting - The financial activity of the Authority is accounted for within a single fund, treated for financial purposes as an enterprise fund. Enterprise funds are primarily used to account for operations that are financed and operated in a manner similar to private business enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Net Position - Net position into three components – invested in capital assets net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- A. **Net Investment in Capital Assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- B. **Restricted** - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- C. **Unrestricted Net Position** - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets." When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2: GRANT FUNDING:

Montana Department of Natural Resources and Conservation (DNRC)

Grant Agreement # RW-13-033 Construction, Booster Pump Station Component

The Authority entered into an agreement with the DNRC on June 28, 2013. The total grant award was \$300,000, and the Authority has until December 15, 2015 to complete the project and work outlined in this agreement. This grant is for construction of the Conrad booster pump station for the Conrad to Brady pipeline project. This grant was amended in August 2013 and November 2013, to award an additional \$673,179 for engineering and construction costs. As of June 30, 2015, a total of \$973,179 in allowable costs were incurred.

Grant Agreement # RW-14-0089 Petroleum Contamination Investigation

The Authority entered into an agreement with the DNRC on February 15, 2014. The total grant award was \$43,800, and the Authority has until September 30, 2014 to complete the project. This grant is to investigate suspected petroleum-based soil contamination near a proposed water transmission main. As of June 30, 2015, a total of \$35,398 in allowable costs were incurred.

Grant Agreement # RW-14-037

The Authority entered into an agreement with the DNRC on July 1, 2013. The total grant award was \$376,000, and the Authority has until June 30, 2015, to complete the scope of work. This grant is for staff, office, travel, technical and legal expenses for operation of the regional water system coordination office, public participation, coordination between state, federal, tribal and local entities, environmental engineering analyses, and legislative support services. As of June 30, 2015, a total of \$281,769 in allowable costs was incurred.

Grant Agreement # RW-14-039 Core System Segment Zero- Material Acquisition

The Authority entered into an agreement with the DNRC on September 17, 2014. The total grant award was \$645,000, and the Authority has until December 31, 2015 to complete the scope of work. This grant is for administrative expenses, legal expenses, and purchase of approximately 3,893 lineal feet of steel pipe for pipeline construction. As of June 30, 2015, a total of \$618,707 in allowable costs was incurred.

Montana Department of Transportation (MDT)

Agreement # HSIP 232-1(12)3

The Authority entered into an agreement with the MDT on December 30, 2013. The total award of \$47,793 was for relocation of the water facilities required for an MDT construction project. As of June 30, 2014, a total of \$23,341 in allowable costs was incurred.

U.S. Department of Interior - Bureau of Reclamation

The Authority entered into a Cooperative Agreement for the planning, design and construction of the non-core system of the North Central Montana Regional Water System. The Agreement was entered into pursuant to the Rocky Boy/North Central Montana Regional Water System Act of 2002 (Public Law 107-331). The original agreement has been replaced by subsequent agreements, with the most recent agreement being entered on September 16, 2014. Each agreement, at the time of being in effect, has been modified in each fiscal year. The award requires the Authority to provide a 20% cost share towards the non-core system. The non-core portion of the federal appropriations are received and expended directly by the Authority.

The Core system portion of the Federal appropriation is disbursed directly to the Chippewa Cree Tribe for the construction of the on-reservation water distribution systems of the Rocky Boy Indian Reservation. The Authority is required to pay the incremental costs of the core system of which 80% will be funded by Federal appropriations.

The following is a summary of all modifications to the original agreement through September 30, 2015 (based on a federal fiscal year). This information is the most current provided by the Bureau of Reclamation.

NON-CORE SYSTEM					
Year	Federal Fiscal Year Appropriation	Federal & Non-Federal Obligation	Non-Federal Required Match - 20%	Required State Share - 10%	Required Authority Share - 10%
FY 2005	\$92,000	\$115,000	\$23,000	\$11,500	\$11,500
FY 2006	141,365	176,706	35,341	17,671	17,671
FY 2007	382,122	477,653	95,531	47,765	47,765
FY 2008	2,191,932	2,739,915	547,983	273,992	273,992
FY 2009	2,544,594	3,180,743	636,149	318,074	318,074
FY 2010	3,237,818	4,047,273	809,455	404,727	404,727
FY 2011	362,325	452,906	90,581	45,291	45,291
FY 2012	-	-	-	-	-
FY 2013	1,371,960	1,714,950	342,990	171,495	171,495
FY 2014	4,104,000	5,130,000	1,026,000	513,000	513,000
FY 2015	3,920,760	4,900,950	980,190	490,095	490,095
Totals	\$18,348,876	\$22,936,096	\$4,587,220	\$2,293,610	\$2,293,610

As of September 30, 2015 the Water Authority has expended \$1,092,705 of non-Federal funds which are eligible to reduce the above Authority share to \$1,200,905. Indexing reduces the obligation to \$1,180,292 giving credit for excess contributions in previous years.

CORE SYSTEM						
Year	Federal Fiscal Year Appropriation	Authority's Share of Federal Appropriation - 24%	Total Authority Share	Non-Federal Share - 20%	Required State Share - 10%	Required Authority Share - 10%
FY 2003	\$ 329,783	\$ 79,148	\$ 98,935	\$ 19,787	\$ 9,893	\$ 9,893
FY 2004	791,777	190,026	237,533	47,507	23,753	23,753
FY 2005	816,440	195,946	244,932	48,986	24,493	24,493
FY 2006	5,497,881	1,319,491	1,649,364	329,873	164,936	164,936
FY 2007	501,368	120,328	150,410	30,082	15,041	15,041
FY 2008	3,666,846	880,043	1,100,054	220,011	110,005	110,005
FY 2009	24,403,901	5,856,936	7,321,170	1,464,234	732,117	732,117
FY 2010	14,341,972	3,442,073	4,302,592	860,518	430,259	430,259
FY 2011	731,213	175,491	219,364	43,873	21,936	21,936
FY 2012	4,398,084	1,055,540	1,319,425	263,885	131,943	131,943
FY 2013	2,439,040	585,370	731,712	146,342	73,171	73,171
FY 2014	7,296,000	1,751,040	2,188,800	437,760	218,880	218,880
FY 2015	6,970,240	1,672,858	2,091,072	418,214	209,107	209,107
Totals	\$ 72,184,545	\$ 17,324,290	\$ 21,655,363	\$ 4,331,072	\$ 2,165,534	\$ 2,165,534

As of September 30, 2015 the Water Authority has not contributed to the required match of \$2,165,534 which indexed for inflation is \$2,408,606.

NOTE 3: MEMORANDUM OF UNDERSTANDING:

The Authority and the Chippewa Cree Tribe entered into a memorandum of understanding to ensure proper implementation of the Rocky Boy /North Central Montana Regional Water System Act of 2002. The agreement provides that the Tribe and the Authority will work jointly on the development, planning, design, construction and administration of both the core and non-core systems of the proposed regional water system.

NOTE 4: CONSTRUCTION IN PROGRESS:

Construction in progress costs for the Conrad/Dutton, Shelby/Cut Bank, Shelby/Sweet Grass, and Hill County projects capitalized for the year ended June 30, 2015 were \$4,630,559. The costs included engineering, easement and construction related expenses.

NOTE 5: CAPITAL ASSETS:

The Authority's capital assets are composed of the following:

	Fixed Assets			Balance 6/30/15
	Balance 6/30/14	Additions	Deletions	
Equipment	\$ 6,197	\$ -	\$ -	\$ 6,197
Water Utility System	6,160,015	3,932,777	-	10,092,792
	<u>\$ 6,166,212</u>	<u>\$ 3,932,777</u>	<u>\$ -</u>	<u>\$ 10,098,989</u>

	Accumulated Depreciation			Balance 6/30/15
	Balance 6/30/14	Additions	Deletions	
Equipment	\$ 5,495	\$ 570	\$ -	\$ 6,065
Water Utility System	355,136	123,201	-	478,337
	<u>\$ 360,631</u>	<u>\$ 123,771</u>	<u>\$ -</u>	<u>\$ 484,402</u>

NOTE 6: ACCRUED LIABILITIES:

Accrued liabilities at June 30, 2015 and 2014 consist of:

	6/30/15	6/30/14
Office Expenses	\$ 132	\$ 120
Payroll	104	80
Operations and Maintenance	9,498	4,159
Construction	24,328	99,747
Engineering	231,702	44,070
Legal	3,561	34,134
Easement Acquisition	3,016	-
Crop Damages	1,707	-
Contracted Services	1,875	2,817
Other	-	1,618
Total	<u>\$ 275,923</u>	<u>\$ 186,745</u>

NOTE 7: GRANT REVENUE:

The following are the sources of grant revenue recognized:

	<u>6/30/15</u>	<u>6/30/14</u>
State of Montana	\$ 826,460	\$ 1,148,105
United States Department of Interior - Authority	1,230,920	2,637,539
	<u>\$ 2,057,380</u>	<u>\$ 3,785,644</u>

NOTE 8: BOND RESOLUTIONS:

2012 Bond

The Authority issued a Water System Revenue Bond on July 19, 2012 through the DNRC Revolving Fund. The proceeds from the issuance were \$100,000 and the terms include 3% interest, 40 semi-annual payments of \$2,000 plus interest and the first payment is due January 1, 2013. The purpose of the loan is to help fund the construction of the water transmission mains connecting the South Chester County Water District and Riverview Colony. As of June 30, 2015 the outstanding balance was \$88,000. All proceeds from the operation of the water system as well as all gross revenues and receipts from rates, fees, charges, and rentals imposed for connections with and for the availability, benefit, and use of the System are pledged as collateral.

The current maturities of the bond debt are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,000	\$ 1,740	\$ 5,740
2017	4,000	1,660	5,660
2018	4,000	1,580	5,580
2019	4,000	1,500	5,500
2020	4,000	1,410	5,410
Thereafter	68,000	8,900	76,900
	<u>\$ 88,000</u>	<u>\$ 16,790</u>	<u>\$ 104,790</u>

2014A Bond

The Authority issued a Water System Revenue Bond on March 18, 2014, through the DNRC Revolving Fund. The proceeds from the issuance were \$100,000 and the terms include 3% interest from the date of each advance, and the administrative expense surcharge and the loan loss reserve surcharge from the date of each advance. Payments of \$2,000 plus interest are made semi-annually starting July 1, 2014. The purpose of the loan is to help fund the construction of a water pipeline from the City of Conrad's water treatment plant to the Brady County Water District's water distribution system. As of June 30, 2015 the the outstanding balance was \$96,000. All proceeds from the operation of the water system as well as all gross revenues and receipts from rates, fees, charges, and rentals imposed for connections with and for the availability, benefit, and use of the System are pledged as collateral.

The current maturities of the bond debt are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,000	\$ 2,860	\$ 6,860
2017	4,000	2,745	6,745
2018	4,000	2,625	6,625
2019	4,000	2,503	6,503
2020	4,000	2,430	6,430
Thereafter	76,000	18,180	94,180
	<u>\$ 96,000</u>	<u>\$ 31,343</u>	<u>\$ 127,343</u>

The Authority is required to maintain the following accounts in accordance with the 2012 and 2014A bond resolutions.

Acquisition and Construction Account - This account is to be used to pay costs incurred with the project. This account is to be used to receive all bond proceeds. No funds were in this account as of June 30, 2015.

Operating Account - This account receives gross operating revenues and disburses necessary operating expenses. At year end June 30, 2015, the balance in this account was \$13,416.

Reserve Account - The District is required to accumulate funds in this account from other available funds. Disbursements from this fund are only allowed to make principal and interest payments on bond debt. At year end June 30, 2015, the balance in this account was \$14,740.

Replacement and Depreciation Account - This account is set up to accumulate funds set aside for reasonable depreciation of the system and replacement of worn out property and equipment. At year end June 30, 2015, the balance in this account was \$3,584.

Surplus Account - This account will accumulate surplus net revenues remaining after the above required applications have been met. No funds were in this account as of June 30, 2015.

Revenue Bond Account - Monthly deposits are to be set aside in this account equal to one-sixth of interest due in the next six months plus one-twelfth of the principal to become due within the next twelve months. No funds were in this account as of June 30, 2015.

Restricted cash for the revenue bond totals \$18,324 at June 30, 2015.

Series 2014 Note

The Authority issued a Water System Revenue Bond Anticipation Note, Series 2014, on March 18, 2014, to be issued in the maximum principal amount of \$526,000. The terms include 1.25% interest from the date of disbursement. The purpose of the loan is to construct approximately 24 miles of transmission pipeline system, two storage reservoirs and a pump station. The pipeline and associated improvements will be installed from the City of Shelby to the City of Cut Bank. As of June 30, 2015 the outstanding balance was \$5,000. All proceeds from the operation of the water system as well as all gross revenues and receipts from rates, fees, charges, and rentals imposed for connections with and for the availability, benefit, and use of the System are pledged as collateral.

NOTE 9: SUBSEQUENT EVENTS:

Accounting Standards Codification (ASC) No.855: Subsequent Events establishes general standards of accounting for and disclosures of events that occur after the statement of financial position date but before the financial statements are issued or are available to be issued. Specifically, it sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the statement of financial position date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the statement of financial position date.

In accordance with ASC No. 855, the Authority evaluated subsequent events through March 16, 2016 the date these financial statements were available to be issued.

NOTE 10: CONTINGENT LIABILITIES:

The Bureau of Reclamation (BOR) is in the process of reviewing indirect costs paid for in prior years with BOR funds. Even though past grants are closed, this does not affect the agency's right to disallow costs and recover funds on the basis of a later audit or review, nor does it affect the Authority's obligation to return any funds due as a result of later corrections. If any payments made by BOR to the Authority are deemed unallowable, this constitutes a debt to the federal agency. As of the date of this report, the Authority does not have an estimate from BOR of the unallowable indirect costs.

NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

HAVRE, MONTANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Project Number	Federal Expenditures
DIRECT - FEDERAL:			
United States Department of the Interior Bureau of Reclamation Rocky Boy/North Central Montana Regional Water System	15.525	n/a	\$ 1,030,901
PASSTHROUGH - FEDERAL:			
Environmental Protection Agency: Office of Water, Capitalization Grants for Drinking Water State Revolving Funds; Passed through from the State of Montana Department of Natural Resources and Conservation	66.468	WRF-14305	69,638
PASSTHROUGH - FEDERAL:			
Department of Transportation: Highway Planning and Construction; passed through from the State of Montana Department of Transportation	20.205	HSIP 232-1(12)3	23,341
Total Expenditures of Federal Awards			<u>\$ 1,123,880</u>

Note 1: Basis of Accounting:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Nonprofit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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



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

Executive Committee
North Central Montana Regional Water Authority
Havre, 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

**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 North Central Montana Regional Water Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the North Central Montana Regional Water Authority basic financial statements, and have issued our report thereon dated March 16, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Central Montana Regional Water Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Central Montana Regional Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of North Central Montana Regional Water Authority'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 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.

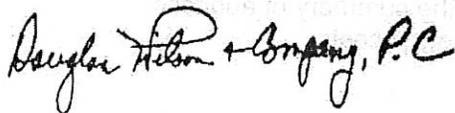
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did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

Compliance and Other Matters

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

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
March 16, 2016



Board of Directors
North Central Montana Regional Water Authority
Havre, Montana

Douglas **WILSON**
and Company, PC

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Michael A. Diekhans, CPA
Myra L. Bakke, CPA

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

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited North Central Montana Regional Water Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of North Central Montana Regional Water Authority major federal programs for the year ended June 30, 2015. North Central Montana Regional Water Authority's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Central Montana Regional Water Authority's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 North Central Montana Regional Water Authority'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 each major federal program. However, our audit does not provide a legal determination of North Central Montana Regional Water Authority's compliance.

Opinion on Each Major Federal Program

In our opinion North Central Montana Regional Water Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of North Central Montana Regional Water Authority 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 North Central Montana Regional Water Authority's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 North Central Montana Regional Water Authority'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Great Falls, Montana
March 16, 2016

NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

HAVRE, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None
Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered
to be material weakness(es)? Yes None
Reported

Type of auditor's report issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
section 510(a)? Yes No

Identification of major programs:

CFDA Number(s)
15.525

Name of Federal Program or Cluster

U.S. Department of the Interior, Bureau of Reclamation, Rocky
Boy/North Central Montana Regional Water System

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

HAVRE, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

None.

NORTH CENTRAL MONTANA REGIONAL WATER AUTHORITY

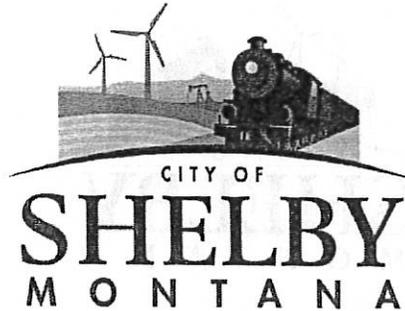
HAVRE, MONTANA

STATUS OF PRIOR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

None.

CITY OF SHELBY

112 First Street South
Shelby, MT 59474
Telephone: (406) 434-5222
FAX: (406) 434-2039
www.shelbymt.com



Mayor: Larry J. Bonderud
Council: Deb Clark, Eugene Haroldson,
Bill Moritz, Lyle Kimmet,
Don Lee, John "Chip" Miller, Jr.
Animal Control: Mark Warila
Attorney: William E. Hunt, Jr.
Building Inspector: Rob Tasker
Community Development: Lorette Carter
Finance Officer: Jade Goroski
Judge: Joe Rapkoch
Recreation Director: Cindy Florez
Superintendent: Loren Skartved

April 14, 2016

Ernest Habets
16097 Old Shelby Rd
Conrad MT 59425-9086

RE: Water Rates

Dear Ernest:

Attached are the current City of Shelby water rates.

I believe it would be best to put all of your hookups on one 4" meter and then you would be billed a flat fee of \$182.10 per month for all of your usage up to 79,240 gallons per month and then \$1.23 per 1,000 gallons for water used above the 79,240 gallons per month.

Call with questions. We need to move on this quickly.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry J. Bonderud".

Larry J. Bonderud
Mayor

cc: City Attorney
City Council

CITY OF SHELBY

112 First Street South
Shelby, MT 59474

Telephone: (406) 434-5222 FAX: (406) 434-2039
www.shelbymt.com



Mayor: Larry J. Bonderud
Council: Cindy Doane, Eugene Haroldson,
Harvey Hawbaker, Lyle Kimmet,
Don Lee, John "Chip" Miller, Jr.
Attorney: William E. Hunt, Jr.
Building Inspector: Rob Tasker
Finance Officer:
Judge: Joe Rapkoch
Planner: Jim Yeagley
Superintendent: Loren Skartved

WATER RATES AND CHARGES

as of November 2014

Minimum Meter Charges:	3/4 or 5/8 inch meter	\$ 43.00 per month (0 to 2,000 gals)
	1 or 1¼ inch meter	\$ 50.00 per month (0 to 3,000 gals)
	1½ inch meter	\$ 62.00 per month (0 to 6,974 gals)
	2 inch meter	\$ 92.05 per month (0 to 18,675 gals)
	3 inch meter	\$112.55 per month (0 to 29,670 gals)
	→ 4 inch meter	\$182.10 per month (0 to 79,240 gals)

Monthly Metered Rates for Users above the

Minimum Meter Charges:	First 2,000 gallons	\$ 21.50 per 1,000 gallons
	Next 1,000 gallons	\$ 7.00 per 1,000 gallons
	Next 7,000 gallons	\$ 3.02 per 1,000 gallons
	Next 10,000 gallons	\$ 2.41 per 1,000 gallons
	Next 25,000 gallons	\$ 1.79 per 1,000 gallons
	Over 45,000 gallons	\$ 1.23 per 1,000 gallons

Irrigation Rates: \$.73 per 1,000 gallons

Minimum monthly charge for 0 to 2,550,000 gallons of water used by a 500 bed correctional facility is \$5,542.08.
(Ord. 815, 2014; Ord. 800, 2010; Ord. 789, 2008; Ord. 782, 2007; Ord. 777, 2006; Ord. 773, 2005; Ord. 770, 2004; Ord. 760, 2002; Ord. 740, 1999).

Minimum monthly charge for 0 to 5,100,000 gallons of water used by a 1,000 bed correctional facility is \$7,929.31.
(Ord. 815, 2014; Ord. 800, 2010; Ord. 789, 2008; Ord. 782, 2007; Ord. 777, 2006; Ord. 773, 2005; Ord. 770, 2004; Ord. 760, 2002; Ord. 740, 1999).

Minimum monthly charge for 0 to 7,650,000 gallons of water used by a 1,500 bed correctional facility is \$11,373.55.
(Ord. 815, 2014; Ord. 800, 2010; Ord. 789, 2008; Ord. 782, 2007; Ord. 777, 2006; Ord. 773, 2005; Ord. 770, 2004; Ord. 760, 2002; Ord. 740, 1999).



U. S. Department
Of Transportation

**Federal Aviation
Administration**

Helena Airports District Office
2725 Skyway Drive, Suite 2
Helena, Montana 59602

Phone: (406) 449-5271
Fax: (406) 449-5274

May 5, 2016

Honorable Larry Bonderud, Mayor
City of Shelby, Montana
112 1st Street South
Shelby, MT 59474-1920

Grant Offer, AIP Project No. 3-30-0069-012-2016
Contract No. DOT-FA16NM-2006
DUNs No. 060278330
Shelby Airport
Shelby, MT

Dear Mayor Bonderud:

We are enclosing three (3) copies of the Grant Offer for Airport Improvement Program (AIP) Project No. 3-30-0069-012-2016, Rehabilitate Apron, Rehabilitate Taxiway, Rehabilitate Runway 5/23 and Runway 11/29 (Pavement Maintenance); and Rehabilitate Runway 5/23 Lighting; Install two new threshold lights on Runway 5, Shelby, Montana. This letter outlines expectations for success. Please read the conditions and assurances carefully.

To properly enter into this agreement, you must do the following:

- The sponsor's authorized representative must execute the grant, followed by your attorney's certification, no later than **May 23, 2016**, in order for the grant to be valid. The attorney's signature date must be on or after the sponsor's authorized representative's signature date.

If the sponsor's authorized representative is other than the legal signatory for the governing body, then the governing body must provide the Airports District Office with a letter on official letterhead signed by the legal signatory of the organization, or a resolution authorizing the individual to execute the grant.

- You may not make any modification to the text, terms, or conditions of the Grant Offer.
- We ask that you return one executed copy of the Grant Offer in the enclosed envelope. Please keep one (1) executed copy of the grant for your records.

Subject to the requirements in 2 CFR §200.305, each payment request for reimbursement under this grant must be made electronically via the Delphi eInvoicing System. Please see the attached Grant Agreement for more information regarding the use of this System.

Please note Grant Condition No. 5 requires you to complete the project without undue delay. We will be paying close attention to your progress to ensure proper stewardship of these Federal funds. **You are expected to submit payment requests for reimbursement of allowable incurred project expenses in accordance with project progress.** Should you fail to make draws on a regular basis, your grant may be placed in "inactive" status which will impact future grant offers.

Until the grant is completed and closed, you are responsible for submitting formal reports as follows:

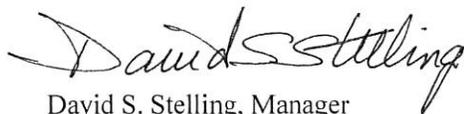
- A signed/dated SF-270 (non-construction projects) or SF-271 or equivalent (construction projects) and SF-425 annually, due 90 days after the end of each federal fiscal year in which this grant is open (due December 31 of each year this grant is open); and
- Quarterly Performance Reports are due within 30 days from the end of every quarter.

A copy of a "**Single Audit Certification Form**" is also enclosed. Please complete and return a copy to this office with the executed Grant Agreement. Please make a copy for your files. As a condition of receiving Federal assistance under this award, you must comply with audit requirements as established under 2 CFR part 200. Subpart F requires non-Federal entities that expend \$750,000 or more in Federal awards to conduct a single or program specific audit for that year. Note that this includes Federal expenditures made under other Federal-assistance programs. Please take appropriate and necessary action to assure your organization will comply with applicable audit requirements and standards.

Once the project(s) is completed and all costs are determined, we ask that you close the project without delay and submit the final closeout report documentation as required by your Airports District Office.

Joe Nye is the assigned program manager for this grant and is available to assist you with the requirements stated herein. We sincerely value your cooperation in these efforts and look forward to working with you to complete this important project. If you have any questions, please contact this office at (406) 449-5271.

Sincerely,



David S. Stelling, Manager
Helena Airports District Office

IDENTICAL LETTER SENT TO:

Honorable Allan Underdal, Chairman
Toole County Commission
226 1st Street South
Shelby, MT 59474-1920

Enclosures (5)

cc: Via e-mail
Lance Bowser, Robert Peccia and Associates, Inc.
Tim Conway, Montana Division of Aeronautics
Wade Cebulski, Montana Division of Aeronautics



U.S. Department
of Transportation
Federal Aviation
Administration

GRANT AGREEMENT

PART I – OFFER

Date of Offer	<u>May 5, 2016</u>
Airport/Planning Area	<u>Shelby</u>
AIP Grant Number	<u>3-30-0069-012-2016 (DOT-FA16-NM-2006)</u>
DUNS Number	<u>060278330</u>
TO:	<u>City of Shelby and County of Toole, Montana</u> (herein called the "Sponsor") (The word "Sponsor" in this Grant Agreement also applies to a Co-Sponsor.)

FROM: **The United States of America** (acting through the Federal Aviation Administration, herein called the "FAA")

WHEREAS, the Sponsor has submitted to the FAA a Project Application dated **January 4, 2016** and amended by letter received **May 3, 2016**, for a grant of Federal funds for a project at or associated with the Shelby Airport, Shelby, Montana, which is included as part of this Grant Agreement; and

WHEREAS, the FAA has approved a project for the Shelby Airport (herein called the "Project") consisting of the following:

**Rehabilitate Apron, Rehabilitate Taxiway, Rehabilitate Runway 5/23 and Runway 11/29
(Pavement Maintenance); and Rehabilitate Runway 5/23 Lighting;
Install two new threshold lights on Runway 5**

which is more fully described in the Project Application.

NOW THEREFORE, According to the applicable provisions of the former Federal Aviation Act of 1958, as amended and recodified, 49 U.S.C. 40101, et seq., and the former Airport and Airway Improvement Act of 1982 (AAIA), as amended and recodified, 49 U.S.C. 47101, et seq., (herein the AAIA grant statute is referred to as "the Act"), the representations contained in the Project Application, and in consideration of (a) the Sponsor's adoption and ratification of the Grant Assurances dated March 2014, and the Sponsor's acceptance of this Offer, and (b) the benefits to accrue to the United States and the public from the accomplishment of the Project and compliance with the Grant Assurances and conditions as herein provided,

THE FEDERAL AVIATION ADMINISTRATION, FOR AND ON BEHALF OF THE UNITED STATES, HEREBY OFFERS AND AGREES to pay ninety (90) percent of the allowable costs incurred accomplishing the Project as the United States share of the Project.

This Offer is made on and **SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:**

CONDITIONS

1. **Maximum Obligation.** The maximum obligation of the United States payable under this Offer is **\$226,000.00.**

The following amounts represent a breakdown of the maximum obligation for the purpose of establishing allowable amounts for any future grant amendment, which may increase the foregoing maximum obligation of the United States under the provisions of 49 U.S.C. § 47108(b):

\$0 for planning

\$226,000.00 for airport development or noise program implementation

\$0 for land acquisition.

2. **Period of Performance.** The period of performance begins on the date the Sponsor formally accepts this agreement. Unless explicitly stated otherwise in an amendment from the FAA, the end date of the project period of performance is 4 years (1,460 calendar days) from the date of formal grant acceptance by the Sponsor.

The Sponsor may only charge allowable costs for obligations incurred prior to the end date of the period of performance (2 CFR § 200.309). Unless the FAA authorizes a written extension, the sponsor must submit all project closeout documentation and liquidate (pay off) all obligations incurred under this award no later than 90 calendar days after the end date of the period of performance (2 CFR § 200.343).

The period of performance end date does not relieve or reduce Sponsor obligations and assurances that extend beyond the closeout of a grant agreement.

3. **Ineligible or Unallowable Costs.** The Sponsor must not include any costs in the project that the FAA has determined to be ineligible or unallowable.
4. **Determining the Final Federal Share of Costs.** The United States' share of allowable project costs will be made in accordance with the regulations, policies and procedures of the Secretary. Final determination of the United States' share will be based upon the final audit of the total amount of allowable project costs and settlement will be made for any upward or downward adjustments to the Federal share of costs.
5. **Completing the Project Without Delay and in Conformance with Requirements.** The Sponsor must carry out and complete the project without undue delays and in accordance with this agreement, and the regulations, policies and procedures of the Secretary. The Sponsor also agrees to comply with the assurances which are part of this agreement.
6. **Amendments or Withdrawals before Grant Acceptance.** The FAA reserves the right to amend or withdraw this offer at any time prior to its acceptance by the Sponsor.
7. **Offer Expiration Date.** This offer will expire and the United States will not be obligated to pay any part of the costs of the project unless this offer has been accepted by the Sponsor on or before **May 23, 2016**, or such subsequent date as may be prescribed in writing by the FAA.
8. **Improper Use of Federal Funds.** The Sponsor must take all steps, including litigation if necessary, to recover Federal funds spent fraudulently, wastefully, or in violation of Federal antitrust statutes, or misused in any other manner in any project upon which Federal funds have been expended. For the purposes of this grant agreement, the term "Federal funds" means funds however used or dispersed by the Sponsor that were originally paid pursuant to this or any other Federal grant agreement. The Sponsor must obtain the approval of the Secretary as to any determination of the amount of the Federal share of such funds. The Sponsor must return the recovered Federal share, including funds recovered by settlement, order, or judgment, to the Secretary. The Sponsor must furnish to the Secretary, upon request, all documents and records pertaining to the determination of the amount of the Federal share or to any settlement, litigation, negotiation, or other efforts taken to recover such funds. All settlements or other final positions of the Sponsor, in court or otherwise, involving the recovery of such Federal share

require advance approval by the Secretary.

9. **United States Not Liable for Damage or Injury.** The United States is not responsible or liable for damage to property or injury to persons which may arise from, or be incident to, compliance with this grant agreement.
10. **System for Award Management (SAM) Registration And Universal Identifier.**
- A. Requirement for System for Award Management (SAM): Unless the Sponsor is exempted from this requirement under 2 CFR 25.110, the Sponsor must maintain the currency of its information in the SAM until the Sponsor submits the final financial report required under this grant, or receives the final payment, whichever is later. This requires that the Sponsor review and update the information at least annually after the initial registration and more frequently if required by changes in information or another award term. Additional information about registration procedures may be found at the SAM website (currently at <http://www.sam.gov>).
 - B. Requirement for Data Universal Numbering System (DUNS) Numbers
 1. The Sponsor must notify potential subrecipient that it cannot receive a contract unless it has provided its DUNS number to the Sponsor. A subrecipient means a consultant, contractor, or other entity that enters into an agreement with the Sponsor to provide services or other work to further this project, and is accountable to the Sponsor for the use of the Federal funds provided by the agreement, which may be provided through any legal agreement, including a contract.
 2. The Sponsor may not make an award to a subrecipient unless the subrecipient has provided its DUNS number to the Sponsor.
 3. Data Universal Numbering System: DUNS number means the nine-digit number established and assigned by Dun and Bradstreet, Inc. (D & B) to uniquely identify business entities. A DUNS number may be obtained from D & B by telephone (currently 866-705-5771) or on the web (currently at <http://fedgov.dnb.com/webform>).
11. **Electronic Grant Payment(s).** Unless otherwise directed by the FAA, the Sponsor must make each payment request under this agreement electronically via the Delphi invoicing System for Department of Transportation (DOT) Financial Assistance Awardees.
12. **Informal Letter Amendment of AIP Projects.** If, during the life of the project, the FAA determines that the maximum grant obligation of the United States exceeds the expected needs of the Sponsor by \$25,000 or five percent (5%), whichever is greater, the FAA can issue a letter amendment to the Sponsor unilaterally reducing the maximum obligation.
- The FAA can also issue a letter to the Sponsor increasing the maximum obligation if there is an overrun in the total actual eligible and allowable project costs to cover the amount of the overrun provided it will not exceed the statutory limitations for grant amendments. The FAA's authority to increase the maximum obligation does not apply to the "planning" component of condition No. 1.
- The FAA can also issue an informal letter amendment that modifies the grant description to correct administrative errors or to delete work items if the FAA finds it advantageous and in the best interests of the United States.
- An informal letter amendment has the same force and effect as a formal grant amendment.
13. **Air and Water Quality.** The Sponsor is required to comply with all applicable air and water quality standards for all projects in this grant. If the Sponsor fails to comply with this requirement, the FAA may suspend, cancel, or terminate this grant.
14. **Financial Reporting and Payment Requirements.** The Sponsor will comply with all federal financial

reporting requirements and payment requirements, including submittal of timely and accurate reports.

- 15. Buy American.** Unless otherwise approved in advance by the FAA, the Sponsor will not acquire or permit any contractor or subcontractor to acquire any steel or manufactured products produced outside the United States to be used for any project for which funds are provided under this grant. The Sponsor will include a provision implementing Buy American in every contract.
- 16. Maximum Obligation Increase For Nonprimary Airports.** In accordance with 49 U.S.C. § 47108(b), as amended, the maximum obligation of the United States, as stated in Condition No. 1 of this Grant Offer:
- A. May not be increased for a planning project;
 - B. May be increased by not more than 15 percent for development projects;
 - C. May be increased by not more than 15 percent or by an amount not to exceed 25 percent of the total increase in allowable costs attributable to the acquisition of land or interests in land, whichever is greater, based on current credible appraisals or a court award in a condemnation proceeding.
- 17. Audits for Public Sponsors.** The Sponsor must provide for a Single Audit in accordance with 2 CFR Part 200. The Sponsor must submit the Single Audit reporting package to the Federal Audit Clearinghouse on the Federal Audit Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/facweb/>. The Sponsor must also provide one copy of the completed 2 CFR Part 200 audit to the Airports District Office.
- 18. Suspension or Debarment.** When entering into a "covered transaction" as defined by 2 CFR § 180.200, the Sponsor must:
- A. Verify the non-federal entity is eligible to participate in this Federal program by:
 - 1. Checking the excluded parties list system (EPLS) as maintained within the System for Award Management (SAM) to determine if non-federal entity is excluded or disqualified; or
 - 2. Collecting a certification statement from the non-federal entity attesting they are not excluded or disqualified from participating; or
 - 3. Adding a clause or condition to covered transactions attesting individual or firm are not excluded or disqualified from participating.
 - B. Require prime contractors to comply with 2 CFR § 180.330 when entering into lower-tier transactions (e.g. Sub-contracts).
 - C. Immediately disclose to the FAA whenever the Sponsor: (1) learns they have entered into a covered transaction with an ineligible entity or (2) suspends or debar a contractor, person, or entity.
- 19. Ban on Texting While Driving.**
- A. In accordance with Executive Order 13513, Federal Leadership on Reducing Text Messaging While Driving, October 1, 2009, and DOT Order 3902.10, Text Messaging While Driving, December 30, 2009, the Sponsor is encouraged to:
 - 1. Adopt and enforce workplace safety policies to decrease crashes caused by distracted drivers including policies to ban text messaging while driving when performing any work for, or on behalf of, the Federal government, including work relating to a grant or subgrant.
 - 2. Conduct workplace safety initiatives in a manner commensurate with the size of the business, such as:
 - a. Establishment of new rules and programs or re-evaluation of existing programs to prohibit text messaging while driving; and

- b. Education, awareness, and other outreach to employees about the safety risks associated with texting while driving.
- B. The Sponsor must insert the substance of this clause on banning texting while driving in all subgrants, contracts and subcontracts.

20. Trafficking in Persons.

- A. Prohibitions: The prohibitions against trafficking in persons (Prohibitions) apply to any entity other than a State, local government, Indian tribe, or foreign public entity. This includes private Sponsors, public Sponsor employees, subrecipients of private or public Sponsors (private entity). Prohibitions include:
 - 1. Engaging in severe forms of trafficking in persons during the period of time that the agreement is in effect;
 - 2. Procuring a commercial sex act during the period of time that the agreement is in effect; or
 - 3. Using forced labor in the performance of the agreement, including subcontracts or subagreements under the agreement.
 - B. In addition to all other remedies for noncompliance that are available to the FAA, Section 106(g) of the Trafficking Victims Protection Act of 2000 (TVPA), as amended (22 U.S.C. 7104(g)), allows the FAA to unilaterally terminate this agreement, without penalty, if a private entity –
 - 1. Is determined to have violated the Prohibitions; or
 - 2. Has an employee who the FAA determines has violated the Prohibitions through conduct that is either:
 - a. Associated with performance under this agreement; or
 - b. Imputed to the Sponsor or subrecipient using 2 CFR part 180, "OMB Guidelines to Agencies on Government wide Debarment and Suspension (Nonprocurement)," as implemented by the FAA at 2 CFR part 1200.
- 21. Exhibit "A" Property Map.** The Exhibit "A" Property Map dated **September, 2013**, is incorporated herein by reference or is submitted with the project application and made part of this grant agreement.
- 22. Co-Sponsor.** The Co-Sponsors understand and agree that they jointly and severally adopt and ratify the representations and assurances contained therein and that the word "Sponsor" as used in the application and other assurances is deemed to include all co-sponsors.
- 23. Airport Layout Plan.** The Sponsor understands and agrees to update the Airport Layout Plan to reflect the construction to standards satisfactory to the FAA and submit it in final form to the FAA. It is further mutually agreed that the reasonable cost of developing said Airport Layout Plan Map is an allowable cost within the scope of this project.
- 24. Lighting.** The Sponsor must operate and maintain the lighting system during the useful life of the system in accordance with applicable FAA standards.
- 25. Pavement Maintenance Management Program.** The Sponsor agrees that it will implement an effective airport pavement maintenance management program as required by Grant Assurance Pavement Preventive Management. The Sponsor agrees that it will use the program for the useful life of any pavement constructed, reconstructed, or repaired with federal financial assistance at the airport. The Sponsor further agrees that the program will
- A. Follow FAA Advisory Circular 150/5380-6, "Guidelines and Procedures for Maintenance of Airport Pavements," for specific guidelines and procedures for maintaining airport pavements, establishing an

effective maintenance program, specific types of distress and its probable cause, inspection guidelines, and recommended methods of repair;

- B. Detail the procedures to be followed to assure that proper pavement maintenance, both preventive and repair, is performed;
 - C. Include a Pavement Inventory, Inspection Schedule, Record Keeping, Information Retrieval, and Reference, meeting the following requirements:
 - 1. Pavement Inventory. The following must be depicted in an appropriate form and level of detail:
 - a. Location of all runways, taxiways, and aprons;
 - b. Dimensions;
 - c. Type of pavement, and;
 - d. Year of construction or most recent major rehabilitation.
 - 2. Inspection Schedule.
 - a. Detailed Inspection. A detailed inspection must be performed at least once a year. If a history of recorded pavement deterioration is available, i.e., Pavement Condition Index (PCI) survey as set forth in the Advisory Circular 150/5380-6, the frequency of inspections may be extended to three years.
 - b. Drive-By Inspection. A drive-by inspection must be performed a minimum of once per month to detect unexpected changes in the pavement condition. For drive-by inspections, the date of inspection and any maintenance performed must be recorded.
 - 3. Record Keeping. Complete information on the findings of all detailed inspections and on the maintenance performed must be recorded and kept on file for a minimum of five years. The type of distress, location, and remedial action, scheduled or performed, must be documented. The minimum information is:
 - a. Inspection date;
 - b. Location;
 - c. Distress types; and
 - d. Maintenance scheduled or performed.
 - 4. Information Retrieval System. The Sponsor must be able to retrieve the information and records produced by the pavement survey to provide a report to the FAA as may be required.
26. **Maintenance Project Life.** The Sponsor agrees that pavement maintenance is limited to those aircraft pavements that are in sufficiently sound condition that they do not warrant more extensive work, such as reconstruction or overlays in the immediate or near future. The Sponsor further agrees that AIP funding for the pavements maintained under this project will not be requested for more substantial type rehabilitation (more substantial than periodic maintenance) for a 5-year period following the completion of this project unless the FAA determines that the rehabilitation or reconstruction is required for safety reasons.
27. **Financial Reporting Requirements.** The Sponsor agrees to submit a **Federal Financial Report** (FAA Form SF-425) for all open grants to the Airports District Office within 90 days following the end of each Federal fiscal year and with each Final Project Closeout Report.

The Sponsor further agrees to submit an **Outlay Report and Request for Reimbursement** (FAA Form SF-271 for construction projects) or **Request for Advance or Reimbursement** (FAA Form SF-270 for non-

construction projects) to the Airports District Office within 90 days following the end of each Federal fiscal year and with each Final Project Closeout Report.

- 28. Final Payment.** The Sponsor understands and agrees that in accordance with 49 USC 47111, no payments totaling more than 90 percent of United States Government's share of the project's estimated allowable cost may be made before the project is determined to be satisfactorily completed.

If the project is determined to be satisfactorily complete and proper documentation is submitted by the Sponsor to the Airports District Office (ADO), then the ADO may approve payments up to 97.5 percent of United States Government's share of the project's estimated allowable cost. "Satisfactorily complete" means the following: (1) The project results in a complete, usable unit of work as defined in the grant agreement; and (2) The sponsor submits necessary documents showing that the project is substantially complete per the contract requirements, or has a plan (that FAA agrees with) that addresses all elements contained on the punch list.

29. Sponsor Performance Report.

- A. **For non-construction projects** – the Sponsor understands and agrees that in accordance with 2 CFR §200.328 the Sponsor shall submit a Quarterly Performance Report to the Airports District Office (ADO) within 30 calendar days from the end of the quarter, beginning in the quarter in which the project begins, and for each following quarter until the project is substantially complete. If a major project or schedule change occurs between Quarterly Performance Reports, the sponsor must submit an out of cycle performance report to the ADO. The performance report for non-construction projects shall include the following as a minimum:

1. A comparison of proposed objectives to actual accomplishments.
2. Reasons for any slippage or lack of accomplishment in a given area.
3. Impacts on other AIP-funded projects.
4. Impacts to projects funded by PFC, other FAA programs, or the sponsor.
5. Identification and explanation of any anticipated cost overruns.

- B. **For construction projects** – FAA Form 5370-1 Construction Progress and Inspection Report satisfies the performance reporting requirement. The sponsor must submit FAA Form 5370-1 to the ADO on a **weekly basis** during construction and at least quarterly when the project is in winter shutdown, until the project is substantially complete. Form 5370-1 requires the following information:

1. Estimated percent completion to date of construction phases.
2. Work completed or in progress during the period.
3. Brief Weather Summary during the period including approximate rainfall and period of below freezing temperature.
4. Contract time: Number of days charged to date and last working day charged.
5. Summary of laboratory and field testing during the period.
6. Work anticipated by the contractor for the next period.
7. Problem areas and other comments.

- 30. Grant Approval Based Upon Certification.** The FAA and the Sponsor agree that the FAA approval of this grant is based on FAA acceptance of the Sponsor's certification to carry out the project in accordance with FAA policies, standards, and specifications. The Sponsor Certifications received from the Sponsor for the work included in this grant are hereby incorporated into this grant agreement. The Sponsor understands that:

- A. The Sponsor's certification does not relieve the Sponsor of the requirement to obtain prior FAA approval for modifications to any AIP standards or to notify the FAA of any limitations to competition within the project;

- B. The FAA's acceptance of a Sponsor's certification does not limit the FAA from reviewing appropriate project documentation for the purpose of validating the certification statements;
- C. If the FAA determines that the Sponsor has not complied with their certification statements, the FAA will review the associated project costs to determine whether such costs are allowable under AIP.

The Sponsor's acceptance of this Offer and ratification and adoption of the Project Application incorporated herein shall be evidenced by execution of this instrument by the Sponsor, as hereinafter provided, and this Offer and Acceptance shall comprise a Grant Agreement, as provided by the Act, constituting the contractual obligations and rights of the United States and the Sponsor with respect to the accomplishment of the Project and compliance with the assurances and conditions as provided herein. Such Grant Agreement shall become effective upon the Sponsor's acceptance of this Offer.

**UNITED STATES OF AMERICA
FEDERAL AVIATION ADMINISTRATION**


(Signature)

David S. Stelling

(Typed Name)

Manager, Helena Airports District Office

(Title of FAA Official)

PART II - ACCEPTANCE

The Sponsor does hereby ratify and adopt all assurances, statements, representations, warranties, covenants, and agreements contained in the Project Application and incorporated materials referred to in the foregoing Offer, and does hereby accept this Offer and by such acceptance agrees to comply with all of the terms and conditions in this Offer and in the Project Application.

I declare under penalty of perjury that the foregoing is true and correct.¹

Executed this 23rd day of May, 2016.

City of Shelby, Montana

(Name of Sponsor)

Larry J. Bonderud

(Signature of Sponsor's Authorized Official)

By: Larry Bonderud
(Typed Name of Sponsor's Authorized Official)

Title: Mayor
(Title of Sponsor's Authorized Official)

CERTIFICATE OF SPONSOR'S ATTORNEY

I, William Hunt, acting as Attorney for the Sponsor do hereby certify:

That in my opinion the Sponsor is empowered to enter into the foregoing Grant Agreement under the laws of the State of Montana. Further, I have examined the foregoing Grant Agreement and the actions taken by said Sponsor and Sponsor's official representative has been duly authorized and that the execution thereof is in all respects due and proper and in accordance with the laws of the said State and the Act. In addition, for grants involving projects to be carried out on property not owned by the Sponsor, there are no legal impediments that will prevent full performance by the Sponsor. Further, it is my opinion that the said Grant Agreement constitutes a legal and binding obligation of the Sponsor in accordance with the terms thereof.

Dated at 23rd Shelby (location) this 23rd day of May 2016.

By: Wie EDA
(Signature of Sponsor's Attorney)

¹ Knowingly and willfully providing false information to the Federal government is a violation of 18 U.S.C. Section 1001 (False Statements) and could subject you to fines, imprisonment, or both.

The Sponsor does hereby ratify and adopt all assurances, statements, representations, warranties, covenants, and agreements contained in the Project Application and incorporated materials referred to in the foregoing Offer, and does hereby accept this Offer and by such acceptance agrees to comply with all of the terms and conditions in this Offer and in the Project Application.

I declare under penalty of perjury that the foregoing is true and correct.²

Executed this 23rd day of May, 2016.

County of Toole, Montana

(Name of Sponsor)

Allan Underdal

(Signature of Sponsor's Authorized Official)

By: Allan Underdal

(Typed Name of Sponsor's Authorized Official)

Title: Commissioner Chain

(Title of Sponsor's Authorized Official)

CERTIFICATE OF SPONSOR'S ATTORNEY

I, Merle Raph, acting as Attorney for the Sponsor do hereby certify:

That in my opinion the Sponsor is empowered to enter into the foregoing Grant Agreement under the laws of the State of Montana. Further, I have examined the foregoing Grant Agreement and the actions taken by said Sponsor and Sponsor's official representative has been duly authorized and that the execution thereof is in all respects due and proper and in accordance with the laws of the said State and the Act. In addition, for grants involving projects to be carried out on property not owned by the Sponsor, there are no legal impediments that will prevent full performance by the Sponsor. Further, it is my opinion that the said Grant Agreement constitutes a legal and binding obligation of the Sponsor in accordance with the terms thereof.

Dated at Shelby, MT (location) this 23rd day of MAY, 2016.

By:

MRAPH

(Signature of Sponsor's Attorney)

² Knowingly and willfully providing false information to the Federal government is a violation of 18 U.S.C. Section 1001 (False Statements) and could subject you to fines, imprisonment, or both.

CITY OF SHELBY

112 First Street South
Shelby, MT 59474
Telephone: (406) 434-5222
FAX: (406) 434-2039
www.shelbymt.com



Mayor: Larry J. Bonderud
Council: Deb Clark, Eugene Haroldson,
Bill Moritz, Lyle Kimmet,
Don Lee, John "Chip" Miller, Jr.
Animal Control: Mark Warila
Attorney: William E. Hunt, Jr.
Building Inspector: Rob Tasker
Community Development: Lorette Carter
Finance Officer: Jade Goroski
Judge: Joe Rapkoch
Recreation Director: Cindy Florez
Superintendent: Loren Skartved

May 10, 2016

Travis & Beth Collier
PO Box 277
Whitefish, MT 59937

RE: Flat Water Rate, 415 Marias Valley Road

Dear Travis & Beth:

This letter will serve as the City of Shelby's commitment to apply the flat rate you now receive at the above address to any tract of land you so designate in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry J. Bonderud", written in a cursive style.

Larry J. Bonderud
Mayor

cc: City Attorney
City Council

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION

Water Resources Division - Havre Regional Office

STEVE BULLOCK, GOVERNOR

210 6th AVENUE



STATE OF MONTANA

PHONE (406) 265-5516
FAX: (406) 265-2225

PO BOX 1828
HAVRE, MONTANA 59501

May 16, 2016

Via Electronic Mail Only

Abigail J. St. Lawrence
Bloomquist Law Firm, P.C.
3355 Colton Drive, Suite A
Helena, MT 59602
astlawrence@helenalaw.com

Subject: Water Right Application #41P 30072725 and #41P 30072726 by the City of Shelby

Dear Abigail:

The Department of Natural Resources and Conservation (DNRC) has received your request for a 15-day extension of time to respond to the DNRC's deficiency letter dated April 18, 2016 letter which. Your request for the extension of time is granted with a response to the deficiency letter anticipated to be on or before June 02, 2016.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Miles".

Matt Miles, Deputy Regional Manager
mmiles@mt.gov

cc: Mayor Larry Bonderud
Luke Osborne, P.E., Hydrosolutions Inc.
Jason Crawford, KLJ