

# Gore Hill County Water District

Financial and Compliance Audit Report

For the Year Ended June 30, 2023



# Gore Hill County Water District

Year Ended June 30, 2023

---

## Table of Contents

|                                                                                                                                                                                                                                       |    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Independent Auditor's Report.....                                                                                                                                                                                                     | 1  |
| <b>Financial Statements</b>                                                                                                                                                                                                           |    |
| Statement of Net Position.....                                                                                                                                                                                                        | 4  |
| Statement of Revenues, Expenses, and Changes in Net Position.....                                                                                                                                                                     | 5  |
| Statement of Cash Flows.....                                                                                                                                                                                                          | 6  |
| Notes to Financial Statements.....                                                                                                                                                                                                    | 7  |
| <b>Supplementary Information</b>                                                                                                                                                                                                      |    |
| Schedule of Expenditures of Federal Awards.....                                                                                                                                                                                       | 14 |
| Notes to Schedule of Expenditures of Federal Awards.....                                                                                                                                                                              | 15 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> ..... | 16 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on<br>Internal Control Over Compliance Required by the Uniform Guidance .....                                                                           | 18 |
| Schedule of Findings and Questioned Costs.....                                                                                                                                                                                        | 21 |

## **Independent Auditor's Report**

Board of Directors  
Gore Hill County Water District  
Great Falls, Montana

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompanying basic financial statements (the "financial statements") of Gore Hill County Water District (the "District"), which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Gore Hill County Water District as of June 30, 2023, 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 ("GAAP").

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gore Hill County Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gore Hill County Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Gore Hill County Water District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gore Hill County Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Gore Hill County Water District has omitted a management's discussion and analysis that GAAP require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Gore Hill County Water District's 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP  
Great Falls, Montana

October 22, 2024

# Gore Hill County Water District

## Statement of Net Position

*As of June 30, 2023*

### Assets

#### Current assets

|                           |    |         |
|---------------------------|----|---------|
| Cash and cash equivalents | \$ | 202,562 |
| Accounts receivable       |    | 12,285  |

---

|                      |  |         |
|----------------------|--|---------|
| Total current assets |  | 214,847 |
|----------------------|--|---------|

---

|                     |  |           |
|---------------------|--|-----------|
| Capital assets, net |  | 1,758,666 |
|---------------------|--|-----------|

---

|                     |  |                  |
|---------------------|--|------------------|
| <b>Total assets</b> |  | <b>1,973,513</b> |
|---------------------|--|------------------|

---

### Liabilities and net position

#### Current liabilities

|                         |  |         |
|-------------------------|--|---------|
| Accounts payable        |  | 472,762 |
| Accrued expenses        |  | 2,221   |
| Deposits payable        |  | 7,312   |
| Current portion of debt |  | 14,000  |

---

|                           |  |         |
|---------------------------|--|---------|
| Total current liabilities |  | 496,295 |
|---------------------------|--|---------|

---

#### Long-term liabilities

|                                        |  |         |
|----------------------------------------|--|---------|
| Long-term debt, net of current portion |  | 781,730 |
|----------------------------------------|--|---------|

---

|                             |  |         |
|-----------------------------|--|---------|
| Total long-term liabilities |  | 781,730 |
|-----------------------------|--|---------|

---

|                          |  |                  |
|--------------------------|--|------------------|
| <b>Total liabilities</b> |  | <b>1,278,025</b> |
|--------------------------|--|------------------|

---

#### Net position

|                                  |  |         |
|----------------------------------|--|---------|
| Net Investment in capital assets |  | 510,174 |
| Unrestricted                     |  | 185,314 |

---

|                           |    |                |
|---------------------------|----|----------------|
| <b>Total net position</b> | \$ | <b>695,488</b> |
|---------------------------|----|----------------|

---

See accompanying notes to financial statements.

# Gore Hill County Water District

## Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2023

|                                                |                   |
|------------------------------------------------|-------------------|
| <b>Operating revenues</b>                      |                   |
| Water fees                                     | \$ 76,413         |
| Tap fees                                       | 456               |
| Operating and maintenance fees                 | 93,421            |
| Other operating revenues                       | 6,014             |
| <b>Total operating revenues</b>                | <b>176,304</b>    |
| <b>Operating expenses</b>                      |                   |
| Depreciation                                   | 60,289            |
| Payroll expenses                               | 46,407            |
| Insurance                                      | 10,219            |
| Bank charges                                   | 60                |
| Taxes and licenses                             | 912               |
| Water testing                                  | 783               |
| Supplies                                       | 20,776            |
| Professional fees                              | 41,817            |
| Repairs and maintenance                        | 9,130             |
| Utilities                                      | 32,338            |
| Miscellaneous expenses                         | 1,237             |
| <b>Total operating expenses</b>                | <b>223,968</b>    |
| <b>Operating (loss)</b>                        | <b>(47,664)</b>   |
| <b>Non-operating revenues (expenses)</b>       |                   |
| Interest income                                | 73                |
| Dividend income                                | 500               |
| Federal grants                                 | 13,526            |
| Interest expense                               | (2)               |
| <b>Total non-operating revenues (expenses)</b> | <b>14,097</b>     |
| <b>Change in net position</b>                  | <b>(33,567)</b>   |
| <b>Net position, beginning of year</b>         | <b>729,055</b>    |
| <b>Net position, end of year</b>               | <b>\$ 695,488</b> |

See accompanying notes to financial statements.

# Gore Hill County Water District

## Statement of Cash Flows

Year Ended June 30, 2023

### Cash flows from operating activities:

|                              |    |          |
|------------------------------|----|----------|
| Cash received from customers | \$ | 171,966  |
| Cash paid to employees       |    | (45,586) |
| Cash paid to suppliers       |    | (97,272) |
| Other receipts               |    | 6,014    |

---

|                                                  |  |               |
|--------------------------------------------------|--|---------------|
| <b>Net cash provided by operating activities</b> |  | <b>35,122</b> |
|--------------------------------------------------|--|---------------|

---

### Cash flows from non-capital financing activities:

|                                   |  |        |
|-----------------------------------|--|--------|
| Cash received from federal grants |  | 13,526 |
| Non-capital interest paid         |  | (2)    |

---

|                                                              |  |               |
|--------------------------------------------------------------|--|---------------|
| <b>Net cash provided by non-capital financing activities</b> |  | <b>13,524</b> |
|--------------------------------------------------------------|--|---------------|

---

### Cash flows from capital and related financing activities:

|                               |  |           |
|-------------------------------|--|-----------|
| Acquisition of capital assets |  | (783,185) |
| Proceeds from notes payable   |  | 795,730   |

---

|                                                                      |  |               |
|----------------------------------------------------------------------|--|---------------|
| <b>Net cash provided by capital and related financing activities</b> |  | <b>12,545</b> |
|----------------------------------------------------------------------|--|---------------|

---

### Cash flows from investing activities:

|                                 |  |     |
|---------------------------------|--|-----|
| Interest and dividends received |  | 573 |
|---------------------------------|--|-----|

---

|                                                  |  |            |
|--------------------------------------------------|--|------------|
| <b>Net cash provided by investing activities</b> |  | <b>573</b> |
|--------------------------------------------------|--|------------|

---

|                                                  |  |               |
|--------------------------------------------------|--|---------------|
| <b>Net increase in cash and cash equivalents</b> |  | <b>61,764</b> |
|--------------------------------------------------|--|---------------|

|                                                     |  |                |
|-----------------------------------------------------|--|----------------|
| <b>Cash and cash equivalents, beginning of year</b> |  | <b>140,798</b> |
|-----------------------------------------------------|--|----------------|

---

|                                               |    |                |
|-----------------------------------------------|----|----------------|
| <b>Cash and cash equivalents, end of year</b> | \$ | <b>202,562</b> |
|-----------------------------------------------|----|----------------|

---

---

### Reconciliation of operating (loss) to net cash provided by operating activities:

|                  |    |          |
|------------------|----|----------|
| Operating (loss) | \$ | (47,664) |
|------------------|----|----------|

Adjustment to reconcile operating (loss) to net cash provided by operating activities:

|              |  |        |
|--------------|--|--------|
| Depreciation |  | 60,289 |
|--------------|--|--------|

Change in assets and liabilities:

|                                 |  |       |
|---------------------------------|--|-------|
| Decrease in accounts receivable |  | 2,014 |
|---------------------------------|--|-------|

|                              |  |        |
|------------------------------|--|--------|
| Increase in accounts payable |  | 20,000 |
|------------------------------|--|--------|

|                              |  |     |
|------------------------------|--|-----|
| Increase in accrued expenses |  | 821 |
|------------------------------|--|-----|

|                                |  |       |
|--------------------------------|--|-------|
| (Decrease) in deposits payable |  | (338) |
|--------------------------------|--|-------|

---

|                                                  |    |               |
|--------------------------------------------------|----|---------------|
| <b>Net cash provided by operating activities</b> | \$ | <b>35,122</b> |
|--------------------------------------------------|----|---------------|

---

---

### Noncash investing, capital and financing activities:

---

|                                                   |    |         |
|---------------------------------------------------|----|---------|
| Capital assets purchased through accounts payable | \$ | 452,762 |
|---------------------------------------------------|----|---------|

---

---

See accompanying notes to financial statements.



# Gore Hill County Water District

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### Reporting Entity

Gore Hill County Water District (the "District") was created in 1974. The District operates a water system for subdivisions located within the District, primarily Cascade County.

The District is a primary government, meeting the criteria embodied in GASB Statement 14, The Financial Reporting Entity, of a separately elected governing body, having a separate legal standing and being fiscally independent. There are no component units for which the District's board is financially accountable.

#### Significant Accounting Policies

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as embodied in GASB Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as a special-purpose entity engaged only in business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties. As such, only those financial statements required for enterprise funds under GASB Statement 34 are included in the financial statements. Those financial statements - the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows - are presented in a format defined under GASB 34 as fund financial statements.

#### Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The basis of accounting utilized depends on the purpose for which the fund has been established. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The activity of the District is accounting for within a single fund, treated for financial reporting purposes as an enterprise fund. An enterprise fund accounts for operations that are financed and operated in a manner similar to private business enterprises, or for operations where periodic determination of revenues, expenses, and net income is considered desirable. An enterprise fund accounts for services rendered to the general public on a user charge basis.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Operating revenues result from providing services and goods in connection with the District's principal ongoing operations of the water system. Operating expenses include the cost of sales and services, general administrative and sales and marketing expenses, and depreciation on capital assets. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchanges, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

# Gore Hill County Water District

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the District considers all cash and temporary cash investments with an original maturity of three months or less to be cash equivalents.

#### Accounts Receivable

Accounts receivable includes normal business receivables. These amounts represent amounts due from water customers of the District's water system. Management considers all receivables fully collectible, therefore no allowance for doubtful accounts has been established.

#### Capital Assets

Capital assets are stated at cost. Maintenance and repair costs are charged to expense as incurred. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

|                        | Capitalization<br>Threshold | Years |
|------------------------|-----------------------------|-------|
| Water system           | \$ 500                      | 5-20  |
| Filtration system      | 500                         | 20    |
| Meters                 | 500                         | 5-20  |
| Furniture and fixtures | 500                         | 5     |

#### Net Position

In the financial statements net position is classified and displayed in three categories:

- *Net investment in capital assets* - consists of capital assets net of accumulated depreciation and related debt, if applicable.
- *Restricted net position* - consists of amounts not accessible for general use because of constraints placed on their usage. There was no restricted net position at June 30, 2023.
- *Unrestricted net position* - consists of the residual of amounts not classified in the other two categories with no constraints placed on their use.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first.

# Gore Hill County Water District

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Compensated Absences

The District does not pay its employees any form of compensation for absences, therefore, no liability for any such amount exists at June 30, 2023.

#### Use of Estimates

The preparation of financial statements in accordance with GAAP 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 expenditures during the reporting period. Actual results could differ from those estimates.

#### Recently Adopted Accounting Pronouncement

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The District has adopted GASB Statement No. 96 for the year ended June 30, 2023, however this adoption did not have an effect on the financial statements.

#### Recent Accounting Pronouncements

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District has yet to evaluate the impact of this statement.

# Gore Hill County Water District

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Recent Accounting Pronouncements (Continued)

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The District has yet to evaluate the impact of this statement.

### Note 2: Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2023:

|                           |    |         |
|---------------------------|----|---------|
| Cash and cash equivalents | \$ | 202,562 |
| <hr/>                     |    |         |
| Total                     | \$ | 202,562 |
| <hr/>                     |    |         |

#### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The National Credit Union Share Insurance Fund provides deposit insure of \$250,000 per depositor. As of June 30, 2023, none of the District's bank balance of \$203,969 was exposed to custodial credit risk.

# Gore Hill County Water District

## Notes to Financial Statements

### Note 3: Capital Assets

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

|                                              | Balance<br>7/1/2022 | Additions    | Balance<br>6/30/2023 |
|----------------------------------------------|---------------------|--------------|----------------------|
| Capital assets, not being depreciated:       |                     |              |                      |
| Land                                         | \$ 21,156           | \$ -         | \$ 21,156            |
| Construction in progress                     | 85,863              | 1,235,947    | 1,321,810            |
| Total capital assets, not being depreciated  | 107,019             | 1,235,947    | 1,342,966            |
| Capital assets, being depreciated:           |                     |              |                      |
| Water system                                 | 896,545             | -            | 896,545              |
| Meters                                       | 60,773              | -            | 60,773               |
| Filtration system                            | 826,370             | -            | 826,370              |
| Furniture and fixtures                       | 789                 | -            | 789                  |
| Total capital assets, being depreciated      | 1,784,477           | -            | 1,784,477            |
| Accumulated depreciation:                    |                     |              |                      |
| Water system                                 | (792,422)           | (18,970)     | (811,392)            |
| Meters                                       | (60,773)            | -            | (60,773)             |
| Filtration system                            | (454,504)           | (41,319)     | (495,823)            |
| Furniture and fixtures                       | (789)               | -            | (789)                |
| Total accumulated depreciation               | (1,308,488)         | (60,289)     | (1,368,777)          |
| Total capital assets, being depreciated, net | 475,989             | (60,289)     | 415,700              |
| Capital assets, net                          | \$ 583,008          | \$ 1,175,658 | \$ 1,758,666         |

Depreciation expense was \$60,289 for the year ended June 30, 2023.

### Note 4: Commitments and Contingencies

The District is subject to lawsuits and claims that arise out of the normal course of business. In the opinion of management, the disposition of such actions of which it is aware will not have a material effect on the financial position, results of operations or liquidity of the District.

# Gore Hill County Water District

## Notes to Financial Statements

### Note 5: Long-Term Debt

Long-term debt consisted of the following at June 30, 2023:

In 2023 the State of Montana approved a loan to the District in the amount of \$1,509,000 to be paid solely from the Series 2023 Water System Revenue Bond issued in 2023. This loan is federal in nature, issued through the Environmental Protection Agency's Drinking Water State Revolving Funds program. As of June 30, 2023, \$795,730 had been drawn down. Repayments are to be made January 1 and July 1, commencing on January 1, 2024 and concluding on July 1, 2053. Interest is charged at a total of 2.5% per annum.

|                                  |            |
|----------------------------------|------------|
|                                  | \$ 795,730 |
| Total long-term liabilities      | 795,730    |
| Less: current maturities         | (14,000)   |
| Total long-term liabilities, net | \$ 781,730 |

Approximate future annual minimum principal and interest payments as of June 30, 2023 are as follows:

|             | Principal  | Interest   | Total        |
|-------------|------------|------------|--------------|
| 2024        | \$ 14,000  | \$ 17,605  | \$ 31,605    |
| 2025        | 34,000     | 29,730     | 63,730       |
| 2026        | 36,000     | 29,040     | 65,040       |
| 2027        | 36,000     | 28,320     | 64,320       |
| 2028        | 38,000     | 27,590     | 65,590       |
| 2029 - 2033 | 200,000    | 126,310    | 326,310      |
| 2034 - 2038 | 228,000    | 105,040    | 333,040      |
| 2039 - 2043 | 209,730    | 66,850     | 276,580      |
| Totals      | \$ 795,730 | \$ 430,485 | \$ 1,226,215 |

The changes in long-term liabilities for the year ended June 30, 2023 are as follows:

|               | Balance<br>7/1/2022 | Additions  | Reductions | Balance<br>6/30/2023 | Amounts due<br>Within One<br>Year |
|---------------|---------------------|------------|------------|----------------------|-----------------------------------|
| Notes payable | \$ -                | \$ 795,730 | \$ -       | \$ 795,730           | \$ 14,000                         |
| Totals        | \$ -                | \$ 795,730 | \$ -       | \$ 795,730           | \$ 14,000                         |

# Gore Hill County Water District

## Notes to Financial Statements

---

### **Note 6: Risk Management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. A variety of methods are used to provide insurance for these risks. Commercial insurance policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage and professional liabilities. The District participates in the Montana State Fund for workers' compensation coverage.

Coverage limits and the deductibles on the commercial policies and the workers' compensation have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded insurance coverage.

### **Note 7: Subsequent Event**

Subsequent to year end, the District has drawn down an additional \$605,957 on the loan through the Environmental Protection Agency's Drinking Water State Revolving Funds program.

# Gore Hill County Water District

## Schedule of Expenditures of Federal Awards

---

*Year Ended June 30, 2023*

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</b> | <b>Federal AL<br/>Number</b> | <b>Total Federal<br/>Expenditures</b> |
|--------------------------------------------------------------------------|------------------------------|---------------------------------------|
| <b>Environmental Protection Agency</b>                                   |                              |                                       |
| <i>Pass through from the State of Montana</i>                            |                              |                                       |
| CLUSTER-Capitalization Grants for Drinking Water State Revolving Funds   | 66.468                       | \$ 1,341,810                          |
| <b>Total Environmental Protection Agency</b>                             |                              | <b>1,341,810</b>                      |
| <b>U.S. Department of Treasury</b>                                       |                              |                                       |
| <i>Pass through from Cascade County</i>                                  |                              |                                       |
| Coronavirus Relief Fund - COVID-19                                       | 21.019                       | 13,526                                |
| <b>Total U.S. Department of Treasury</b>                                 |                              | <b>13,526</b>                         |
| <b>Total expenditures of federal awards</b>                              |                              | <b>\$ 1,355,336</b>                   |

See Accompanying Notes to Schedule of Expenditures of Federal Awards.



# Gore Hill County Water District

## Notes to Schedule of Expenditures of Federal Awards

---

*Year Ended June 30, 2023*

### **Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the grant activity of Gore Hill County Water District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of Gore Hill County Water District, it is not intended to and does not present the financial position, changes in net position or cash flows of Gore Hill County Water District.

### **Note 2: Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 3: Indirect Cost Rate**

Gore Hill County Water District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### **Note 4: Federal Loan Program**

Gore Hill County Water District has a federal loan obligation outstanding at June 30, 2023. This obligation is due to the State of Montana, funded from the Environmental Protection Agency's Capitalization Grants for Drinking Water State Revolving Funds program. The balance at June 30, 2023, totaled \$795,730.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Gore Hill County Water District  
Great Falls, Montana

We have audited, in accordance with auditing standards generally accepted in the United States 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 Gore Hill County Water District, which comprise the statement of net position as of June 30, 2023 and the related statement of revenues, expenses and changes in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2024.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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

Our consideration of internal control 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 weakness or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 through 2023-003 that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of schedule of findings and responses as item 2023-004.

### **District's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Gore Hill County Water District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP  
Great Falls, Montana  
October 22, 2024

## **Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Gore Hill County Water District  
Great Falls, Montana

### **Report on Compliance for The Major Federal Program**

#### ***Opinion on The Major Federal Program***

We have audited Gore Hill County Water District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2023. Gore Hill County Water District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Gore Hill County Water District compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Gore Hill County Water District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Gore Hill County Water District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Gore Hill County Water District's federal program.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gore Hill County Water District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Gore Hill County Water District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Gore Hill County Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Gore Hill County Water District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Gore Hill County Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.


### ***Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over-compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP  
Great Falls, Montana

October 22, 2024

# Gore Hill County Water District

## Schedule of Findings and Questioned Costs

---

Year Ended June 30, 2023

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   Yes        No
- Significant deficiency(ies) identified?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

#### Identification of major programs

| <u>AL Number(s)</u> | <u>Federal Program or Cluster</u>                                         |
|---------------------|---------------------------------------------------------------------------|
| 66.468              | CLUSTER-Capitalization Grants for Drinking Water<br>State Revolving Funds |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

# Gore Hill County Water District

## Schedule of Findings and Questioned Costs (Continued)

---

### Section II - Audit Findings in Relation to Financial Statements

2023-001

#### Internal Controls over Expenditures

**Criteria or Specific Requirement:** Effective internal controls over expenditures should be properly designed to provide assurance of proper support. The District should have a procedure in place to properly support, authorize and record expenditures in District's accounting system.

**Condition:** During our testing of the control over expenditures we noted the following exceptions:

- Six (6) items were missing proper documentation supporting the expenditure recorded.
- Eight (8) items were missing proper authorization from the Board of Directors either verbally or via signature.

**Context:** We had a discussion with the Bookkeeper and performed a walkthrough of expenditures policies and procedures. Expenditure transaction testing was performed as a test of internal control effectiveness.

**Effect:** Without effective internal controls over expenditures, the potential for misstatement due to error or fraud occurring greatly increases.

**Cause:** Management did not implement effective internal controls over expenditures. Expenditures are being paid without proper support and approvals.

**Auditor's Recommendation:** We recommend the District strengthen its internal control structure by following their policies and procedures with regards to expenditures in every instance.

**View of Responsible Officials:** Management agrees with the finding and has a plan in place to correct it.

2023-002

#### Segregation of Duties

**Criteria or Specific Requirement:** Effective internal controls require the segregation of duties between the custody, record keeping, and authorization functions.

**Condition:** Journal entries can be prepared and entered into the accounting software by one individual. This creates a conflict between the record keeping and authorization functions.

**Context:** We gained an understanding of the District's internal processes as they relate to journal entry preparation.

**Effect:** As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

**Cause:** The District has a limited number of staff to allow for adequate segregation of duties.

**Auditor's Recommendation:** If possible, a process should be implemented where all journal entries are reviewed and approved by a person independent of the preparer of the journal entry. The Board of Directors may need to play a more active role in this area.

**View of Responsible Officials:** Management agrees with the finding and has a plan in place to correct it.



# Gore Hill County Water District

## Schedule of Findings and Questioned Costs (Continued)

---

### Section II - Audit Findings in Relation to Financial Statements (Continued)

2023-003

**Account Reconciliations**

**Criteria or Specific Requirement:** An accounting system should provide timely and accurate information for management. Management and accounting personnel should reconcile general ledger accounts to subsidiary ledgers and other supporting documents in a timely and effective manner.

**Condition:** Improperly designed internal controls and account reconciliation procedures caused the District to not reconcile capital assets (and related accounts) and accounts payable.

- The District does not accrue for accounts payable account. During our audit procedures, we noted a total of \$472,762 in unrecorded liabilities. An adjustment was made to correct the accounts payable balance.
- There was no physical inventory taken of the capital assets and therefore there was no reconciliation to the trial balance. The capital asset schedule was not maintained and resulted in material adjustments to correct balances.
- Depreciation expense and accumulated depreciation was not reconciled and recorded due to the lack of maintenance in the capital asset schedule. An adjusting entry was made to record the depreciation expense and accumulated depreciation.

**Context:** In planning and performing our audit procedures, we obtained an understanding of the design and implementation of internal controls for areas of significant audit risk and performed audit procedures assessing the effectiveness of internal controls. Additionally, we performed substantive audit procedures to obtain audit evidence verifying the completeness, validity, and accuracy of the financial records.

**Effect:** Without performing adequate account reconciliations, information provided to management is inaccurate. Also, the probability that fraud or material errors will occur and go undetected generally increases.

**Cause:** The District did not perform adequate reconciliations of capital assets and accounts payable.

**Repeat:** No

**Auditor's Recommendations:** District management should implement policies and procedures requiring accountability to monitor the accuracy of monthly reconciliations. Management personnel involved in the reconciliation process should sign supporting documentation to attest that not only the process was complete, but it also had been reviewed.

**View of Responsible Officials:** Management agrees with the finding and has a plan in place to correct it.

# Gore Hill County Water District

## Schedule of Findings and Questioned Costs (Continued)

---

### Section II - Audit Findings in Relation to Financial Statements (Continued)

2023-004

**Report Submission**

**Criteria or Specific Requirement:** The Uniform Guidance 2 CFR 200.512(a) requires the audit package and data collection form be submitted 30 days after receipt of the auditor's report or 9 months after the end of the fiscal year, whichever comes first.

**Condition:** The fiscal year audit and reporting package is being submitted after the required due date.

**Context:** We tested compliance with certain requirements as stated in the Uniform Guidance.

**Effect:** The District is not in compliance with Uniform Guidance 2 CFR 200.512(a).

**Cause:** The District was not prepared for the audit. Several accounts were not reconciled and there were delays in providing the auditors with requested information.

**Repeat:** No

**Auditor's Recommendations:** We recommend the District prioritize completion of its accounts reconciliations to allow for completion of the annual financial report on a timely basis.

**View of Responsible Officials:** Management agrees with the finding and has a plan in place to correct it.

### Section III - Audit Findings in Relation to Federal Awards - None