

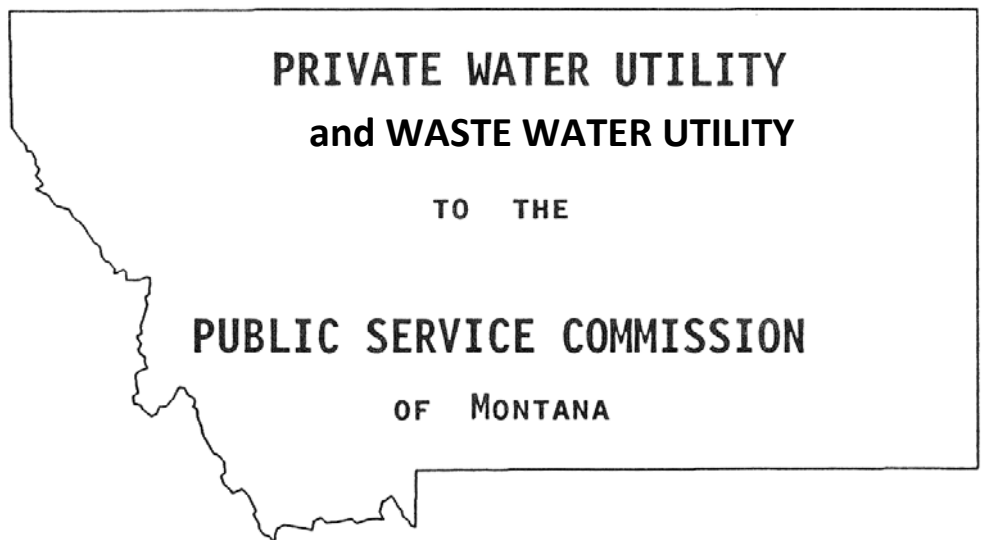
YEAR 2016

ANNUAL REPORT

of the

NAME AquaFlo, LLC

LOCATION Helena, Montana



FOR THE YEAR ENDING 2016

General Instructions

- 1 Prepare this report in conformity with the 1984 National Association of Utility Regulatory Commissioners Uniform System of Accounts for Water Utilities.
- 2 Interpret all accounting words or phrases in accordance with the Uniform System of Accounts for Water Utilities.
- 3 Complete each question fully and accurately, even if it has been answered in a previous annual report. Enter the word "None" where it truly and completely states the fact.
- 4 For any question, section or page which is not applicable to the respondent enter the words "Not Applicable" or "N/A". Do not omit any pages.
- 5 Where dates are called for, the month and day should be stated as well as the year.
- 6 Complete this report by means which result in a permanent record.
- 7 If there is not enough room on any schedule, an additional page or pages may be added provided the format of the added schedule matches the format of the schedule with not enough room. Such a schedule should reference the appropriate schedules, state the name of the utility, and state the year of the report.
- 8 This report should be filed in duplicate and one copy returned by April 30 following the end of the calendar year for calendar year filers. If other than a calendar year filer, this report needs to be filed by the end of the 4th month following the end of the fiscal year for filers that have other than a calendar year yearend.
- 9 Please send the copy of your completed Annual Report to:

Montana Public Service Commission
Utility Division
P.O. Box 202601
Helena, MT 59620-2601

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REPORT OF

AquaFlo, LLC

P O Box 1091

(address)

Helena, MT 59624

(city, state, zip code)

For Year Ended 2016

Date Utility First Organized 3/1/2007

Telephone Number 406-442-4747

Location of books and records 4855 N Montana Ave., Helena, MT

Contacts

| Name | Title | Principal Business Address | Salary |
|---|-----------------------|---|--------|
| Person to send correspondence: John Maxness | Manager | P O Box 1091 Helena, MT 59624 | |
| Person who prepared this report: Sandra Barrows | Regulatory Consultant | 6171 Lazy Man Gulch Helena, MT 59601 | |
| Officers and Managers: John Maxness | Manager | P O Box 1091 Helena, MT 59624 | |
| | | | |
| | | | |
| | | | |
| | | | |

Ownership

Report every corporation or person owning interest or holding directly 5 percent or more of the voting securities of the reporting utility

| Name | Percent Ownership in Utility | Principle Business Address | Amt Pd by Utility |
|-------------------------|------------------------------|---|-------------------|
| Aqua Sierra, LLC | 100% | PO Box 1091 Helena, MT 59624 | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

INCOME STATEMENT

| ACCOUNT NAME | Current Year 2016 | Previous Year 2015 |
|--|----------------------|----------------------|
| OPERATING REVENUE: | | |
| Metered | | |
| Residential | 63,231.51 | 58,161.57 |
| Commercial | 1,927.88 | 1,653.52 |
| Industrial | | |
| Other | | |
| Unmetered | | |
| Residential | \$ 76,008.33 | \$ 74,434.29 |
| Commercial | 3,214.17 | 3,238.14 |
| Industrial | | |
| Fire Protection | | |
| Bulk Sales | | |
| Sale of Materials - Meter | | |
| Other - Connect, disconnect, NSF | 74.00 | 293.00 |
| TOTAL OPERATING REVENUE: | \$ 144,455.89 | \$ 137,780.52 |
| OPERATING EXPENSES: | | |
| Operation and Maintenance Expense | \$ 100,805.67 | \$ 100,275.30 |
| Depreciation Expense | 10,183.00 | 11,508.00 |
| Taxes Other than Income | 1,687.34 | 1,794.73 |
| Federal Income Taxes | 3,730.00 | 2,724.70 |
| State Income Taxes | 1,954.00 | 2,841.00 |
| TOTAL OPERATING EXPENSES | \$ 118,360.01 | \$ 119,143.73 |
| NET INCOME (LOSS) from OPERATIONS | \$ 26,095.88 | \$ 18,636.79 |
| Other Income: | | |
| Non Utility Income | 4,100.00 | 3,855.00 |
| Expense Reimbursement | | |
| TOTAL OTHER INCOME | \$ 4,100.00 | \$ 3,855.00 |
| Other Deductions: | | |
| Non-Utility Expenses | | |
| Interest Expense | - | - |
| ROI | 27,340.80 | 27,340.80 |
| TOTAL OTHER DEDUCTIONS | \$ 27,340.80 | \$ 27,340.80 |
| NET INCOME (LOSS) | \$ 2,855.08 | \$ (4,849.01) |

COMPARATIVE BALANCE SHEET

| ACCOUNT NAME | Current Year 2016 | Previous Year 2015 |
|--|----------------------|----------------------|
| ASSETS: | | |
| Utility Plant in Service | \$ 239,952.00 | \$ 239,952.00 |
| Less: Accumulated Deprec. & Amort. | 122,260.00 | 112,077.00 |
| NET UTILITY PLANT | \$ 117,692.00 | \$ 127,875.00 |
| Cash | \$ 58,503.49 | \$ 45,465.41 |
| Customer Accounts Receivable | - | |
| Other Assets (Specify) Land | 27,478.00 | 27,478.00 |
| | | |
| | | |
| TOTAL ASSETS OTHER THAN UTILITY PLANT | \$ 85,981.49 | \$ 72,943.41 |
| TOTAL ASSETS | \$ 203,673.49 | \$ 200,818.41 |
| LIABILITIES AND CAPITAL | | |
| CAPITAL | | |
| Common Stock Issued | | |
| Preferred Stock Issued | | |
| Other Paid in Capital | | |
| Retained Earnings | | |
| Proprietary Capital | \$ 201,743.49 | \$ 198,054.41 |
| TOTAL CAPITAL | \$ 201,743.49 | \$ 198,054.41 |
| LIABILITIES | | |
| Long Term Debt | \$ - | |
| Accounts Payable | \$ - | |
| Notes Payable | | |
| Customer Deposits | | |
| Accrued Taxes (2016 return, due in 2017) | 1,930.00 | 2,764.00 |
| Other Liabilities (Specify) | | |
| | | |
| | | |
| | | |
| Advances for Construction | | |
| Contributions in aid of Construction | | |
| TOTAL LIABILITIES | \$ 1,930.00 | \$ 2,764.00 |
| TOTAL LIABILITIES AND CAPITAL | \$ 203,673.49 | \$ 200,818.41 |

Accumulated Depreciation and Amortization of Utility Plant

| ACCOUNT 108 | Current Year 2016 | Previous Year 2015 |
|--|-------------------|--------------------|
| Balance at First of Year | \$ 112,077 | \$ 100,569 |
| Credits During the Year: | \$ 10,183 | \$ 11,508 |
| Accruals Charged to Depreciation Account | | |
| Salvage | | |
| Other Credits (Specify): | | |
| | | |
| Total Credits | \$ 122,260 | \$ 112,077 |
| Debits During the Year: | | |
| Book Cost of Plant Retired | | |
| Cost of Removal | | |
| Other Debits (Specify): | | |
| | | |
| Total Debits | \$ - | \$ - |
| Balance at End of Year | \$ 122,260 | \$ 112,077 |

Contributions in Aid of Construction

| Report below all contractor and developer agreements line extension agreements from which cash or property was received during the year | Indicate | | Amount |
|---|----------|----------|-------------|
| | Cash | Property | |
| none | | | |
| | | | |
| | | | |
| TOTAL DURING THE YEAR | | | \$ - |

Accumulated Deferred Income Taxes

| Description | Amount |
|--|--------------------|
| Accumulated Deferred Income Taxes | |
| Federal | 1,359.00 |
| State | 571.00 |
| Total Accumulated Deferred Income Taxes | \$ 1,930.00 |

Taxes from the 2016 return that are due in 2017.

| Capital Stock | | | |
|---------------------------------------|-------------|--------------|-----------------|
| | none | Common Stock | Preferred Stock |
| Par or stated value per share | ----- | | |
| Shares Authorized | ----- | | |
| Shares Issued and Outstanding | ----- | | |
| Total par value of stock issued | ----- | | |
| Dividends declared per share for year | | | |

| Retained Earnings | | | |
|--------------------------|-------------|--------------|----------------|
| | none | Appropriated | Unappropriated |
| Balance at first of year | ----- | | |
| Changes during year: | | | |
| Net Income (loss) | ----- | | |
| Dividends | ----- | | |
| Other (Specify): | ----- | | |
| ----- | | | |
| ----- | | | |
| ----- | | | |
| Balance end of year | | | |

| Proprietary Capital | | | |
|---|-------|-----------------------|---------|
| | | Proprietor or Partner | Partner |
| Balance at first of year | ----- | \$ 198,054.41 | |
| Changes during year (Specify): | | | |
| ----- | | | |
| Net income - change in acrd tax liability | ----- | \$ 3,689.08 | |
| ----- | | | |
| Balance at end of year | | \$ 201,743.49 | |

| Long Term Debt | | | |
|---------------------------|----------|---------|---------------------------------|
| Description of Obligation | Interest | Payment | Principal at Balance Sheet Date |
| | Rate | | |
| ----- | | | |
| ----- | | | |
| ----- | | | |
| ----- | | | |
| ----- | | | |
| ----- | | | |
| ----- | | | |
| ----- | | | |
| Total | | \$ - | \$ - |

| Utility Plant Accounts | | | | | |
|------------------------|------------------------------------|-----------------------|-----------|-------------|----------------------|
| Acct No. | Account Name | Previous Year 2015 | Additions | Retirements | Current Year 2016 |
| 301 | Organization | | | | |
| 302 | Franchises | | | | |
| 303 | Land & Land Rights | \$ 27,478 | | | \$ 27,478 |
| 304 | Sewer Building | | | | \$ - |
| 305 | Water Building | | | | \$ - |
| 306 | Lake River and Other Intakes | | | | \$ - |
| 307 | Wells and Springs | | | | \$ - |
| 308 | Infiltration Galleries and Tunnels | | | | \$ - |
| 309 | Supply Mains | | | | \$ - |
| 310 | Power Generation Equipment | | | | \$ - |
| 311 | Pumping Equipment | \$ 22,940 | | | \$ 22,940 |
| 320 | Water Treatment Equipment | | | | \$ - |
| 330 | Combined Water Plant | \$ 169,751 | | | \$ 169,751 |
| 331 | Combined Sewer Plant | \$ 8,562 | | | \$ 8,562 |
| 333 | Services | | | | \$ - |
| 334 | Meters and Meter Installations | \$ 7,476 | | | \$ 7,476 |
| 335 | Hydrants | | | | \$ - |
| 339 | Pumping Equipment | | | | \$ - |
| 340 | Office Furniture and Equipment | | | | \$ - |
| 341 | Transportation Equipment | | | | \$ - |
| 342 | Software | \$ 2,520 | | | \$ 2,520 |
| 343 | Tools, Shop & Garage Equipment | | | | \$ - |
| 344 | Laboratory Equipment | | | | \$ - |
| 345 | Power Operated Equipment | | | | \$ - |
| 346 | Communication Equipment | | | | \$ - |
| 347 | Fencing | \$ 28,703 | | | \$ 28,703 |
| 348 | Other Tangible Plant | | | | \$ - |
| Total Utility Plant | | \$ 267,430 | \$ - | \$ - | \$ 267,430 |

Analysis of Accumulated Depreciation by Primary Account

| Acct No. | Account | Average Service Life in Years | Average Salvage Value in Percent | Depr. Rate Applied | Accumulated Depreciation Beginning of Year 2016 | Debits | Credits | Accumulated Depreciation End of Year 2016 |
|--------------|------------------------------------|-------------------------------|----------------------------------|--------------------|---|--------|---------|---|
| 304 | Sewer Building | | | | | | | 0 |
| 305 | Water Building | | | | | | | 0 |
| 306 | Lake River and Other Intakes | | | | | | | 0 |
| 307 | Wells and Springs | | | | | | | 0 |
| 308 | Infiltration Galleries and Tunnels | | | | | | | 0 |
| 309 | Supply Mains | | | | | | | 0 |
| 310 | Power Generation Equipment | | | | | | | 0 |
| 311 | Pumping Equipment | 7 | 0% | Straight Line | 22,038 | 902 | | 22,940 |
| 320 | Water Treatment Equipment | | | | | | | 0 |
| 330 | Combined Water Plant | 25 | 0% | Straight Line | 62,638 | 7,025 | | 69,663 |
| 331 | Combined Sewer Plant | 25 | 0% | Straight Line | 3,051 | 342 | | 3,393 |
| 333 | Services | | | | | | | |
| 334 | Meters and Meter Installations | 7 | 0% | Straight Line | 7,476 | 0 | | 7,476 |
| 335 | Hydrants | | | | | | | 0 |
| 339 | Other Plant and Misc. Equipment | | | | | | | 0 |
| 340 | Office Furniture and Equipment | | | | | | | 0 |
| 341 | Transportation Equipment | | | | | | | 0 |
| 342 | Software | 5 | 0% | Straight Line | 2,520 | 0 | | 2,520 |
| 343 | Tools, Shop & Garage Equipment | | | | | | | 0 |
| 344 | Laboratory Equipment | | | | | | | 0 |
| 345 | Power Operated Equipment | | | | | | | 0 |
| 346 | Communication Equipment | | | | | | | 0 |
| 347 | Fencing | 15 | 0% | Straight Line | 14,354 | 1,914 | | 16,268 |
| 348 | Other Tangible Plant | | | | | | | |
| TOTAL | | | | | 112,077 | 10,183 | 0 | 122,260 |

Operation and Maintenance Expense

| Account Name | Amount |
|---|----------------------|
| Salaries and Wages - Employees | |
| Salaries and Wages - Officers, Directors and Majority Stockholders | |
| Employee Pension and Benefits | |
| Purchased Water | |
| Purchased Power | 16,117.01 |
| Operation and Maintenance | 11,237.50 |
| Chemicals | |
| Materials and Supplies | 576.00 |
| Contractual Services (Operation, Engineering, Billing, Legal, Mgmt) | 63,074.59 |
| Testing & Monitoring | 2,039.25 |
| Transportation Expense | |
| Insurance Expense | 3,016.00 |
| Regulatory Commission Expense | 975.00 |
| Bad Debt Expense | |
| Miscellaneous Expense | 3,770.32 |
| TOTAL | \$ 100,805.67 |

Payments for Services Rendered by Other than Employees

Report all information concerning rate, management, construction advertising, labor relations, public relations or other similar services rendered the respondent of which the aggregate payments during the year to any corporation, partnership, individual, or organization of any kind whatever, amounting to \$500 or more. Utilities having revenue in excess of \$100,000 should report amounts of \$5,000 or more.

| Name of Recipient | Amount | Description of Service |
|-----------------------|----------|---------------------------------|
| John Maxness | \$19,200 | Management |
| Accounting Beans, LLC | \$18,686 | Billing and Accounting Services |
| Inteegrated Water | \$29,975 | Professional Service and O&M |
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Sources of Water Supply

Surface Water: River: n/a Lake: n/a Stream: n/a Impounding Reservoir: n/a

Ground Water: No. of Springs: n/a No. of Shallow Wells: n/a No. of Deep Wells: 3

Reservoirs, Standpipes, and Purification System

| | | | |
|-------------------------|-------------|---------------------|---------|
| No. of Reservoirs: | 1 | Capacity in Gallons | 292,000 |
| No. of Standpipes | 0 | Capacity in Gallons | 0 |
| Method of Purification: | none | | |

Services and Meters

| Size-> | 1/2" | 5/8" | 1 in | 1 1/2 in | 2 in | 3 in | 4 in | 6 in | 3/4 in |
|----------|------|------|------|----------|------|------|------|------|--------|
| Services | | | | | | | | | 142 |
| Meters | | | | | | | | | 143 |

Number and Classification of Consumers

| Classification | Beginning of Year | | | End of Year | | | Increase (Decrease) |
|----------------|-------------------|-----------|-------|-------------|-----------|-------|------------------------|
| | Metered | Unmetered | Total | Metered | Unmetered | Total | |
| Residential | 138 | | 138 | 138 | | 138 | 0 |
| Commercial | 6 | | 6 | 6 | | 6 | 0 |
| Industrial | | | | | | | |
| Fire Hydrants | | 2 | 2 | | 2 | 2 | 0 |
| Governmental | | | | | | | |
| All Other | | | | | | | |
| Total | 144 | 2 | 146 | 144 | 2 | 146 | 0 |

Total Pumping Station Statistics

Total Amount of Water Obtained by all methods during the year: 12,972,200
 Maximum Water obtained all methods during any one day: 79,827
 Minimum Amount of Water obtained all methods during one day: 16,660
 Range of ordinary pressure on mains 60 lbs to 70 lbs
 Range of fire pressure in mains 15 lbs to 20 lbs

