

FISCAL YEAR 2016-2017

FINANCIAL INFORMATION

FOUR CORNERS COUNTY WATER AND SEWER DISTRICT

GALLATIN COUNTY, MONTANA

FOR THE FISCAL YEAR ENDING JUNE 30, 2017

SEWER

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IDENTIFICATION

| | |
|--|--------------|
| For Year Ended: | 6/30/2017 |
| Date FCWSD First Organized: | May 15, 2003 |
| Date Facilities and Water Rights Were Purchased By District: | May 5, 2016 |
| Telephone Number: | 406-585-4166 |

Contacts

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Four Corners County Water and Sewer District
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Ownership

FCWSD is a duly elected and formed county water and sewer district, which owns and operates water and sewer infrastructure in compliance with §§7-13-2201 et seq and 7-13-2301 et seq.

Financial information contained herein is related to providing service to the Elk Grove Subdivision only.

INCOME STATEMENT - SEWER

| Account Name | | FY 2016-2017 |
|--|--|---------------------|
| OPERATING REVENUE: | | |
| User Charges | | \$ 273,487 |
| Late Payment Fees | | \$ 507 |
| Permit Fees | | |
| TOTAL OPERATING REVENUE: | | \$ 273,994 |
| OPERATING EXPENSES: | | |
| Operation and Maintenance Expense ⁽¹⁾ | | \$ (83,676) |
| Admin Expense ⁽²⁾ | | \$ (57,976) |
| Asset Replacement Fund ⁽³⁾ | | \$ (82,844) |
| CST WW Loan | | \$ (57,335) |
| TOTAL OPERATING EXPENSES: | | \$ (281,831) |
| NET INCOME (LOSS) | | \$ (7,837) |

Footnotes

- (1) Sewer O&M Expense 28% of total District O&M Expense to match proportion of flow from Elk Grove.
- (2) 20% of total District Admin Expense to match proportion of accounts in Elk Grove. Water portion of Admin split 50% with sewer.
- (3) The Asset Replacement Fund is money set aside for future asset replacement. See Page 6 for additional details.

ANALYSIS OF ANNUAL ASSET REPLACEMENT COSTS - SEWER

| Item | Original Installation Cost ₍₁₎ | Reconstruction Cost, 2015 ₍₁₎ | Installation Date ₍₁₎ | Useful Life, Years ₍₁₎ | Useful Life Remaining, Years (n) | Reconstruction Cost, End of Useful Life (F) | Sinking Fund Factor | Annual Replacement Costs (A) |
|--|---|--|----------------------------------|-----------------------------------|----------------------------------|---|---------------------|------------------------------|
| Elk Grove Sewer System | | | | | | | | |
| Unallocated Fluidyne invoices | \$ 74,623 | \$ 89,591 | 2008 | 50 | 41 | \$ 301,016.70 | 0.0178 | \$ 5,367.45 |
| Dick Anderson Construction invoices | \$ 362,786 | \$ 435,557 | 2008 | 50 | 41 | \$ 1,463,427.50 | 0.0178 | \$ 26,094.46 |
| Subtotal | \$ 437,409 | \$ 525,148 | | | | \$ 1,764,444.20 | | \$ 31,461.91 |
| Central Sewer | | | | | | | | |
| Wastewater Treatment Plant | | | | | | | | |
| Total invoices allocated to WwTP | \$ 578,150 | \$ 795,375 | 2005 | 20 | 8 | \$ 1,007,557.25 | 0.1186 | \$ 119,480.19 |
| Fluidyne labor allocated to WwTP | \$ 510,322 | \$ 702,063 | 2005 | 20 | 8 | \$ 889,352.40 | 0.1186 | \$ 105,462.99 |
| Markup allocated to WwTP | \$ 8,120 | \$ 11,170 | 2005 | 20 | 8 | \$ 14,149.82 | 0.1186 | \$ 1,677.94 |
| Dick Anderson Invoices | \$ 92,999 | \$ 127,942 | 2005 | 20 | 8 | \$ 162,073.10 | 0.1186 | \$ 19,219.28 |
| Utility Solutions Purchase₍₂₎ | | | | | | | | |
| Unallocated purchase price | \$ 168,027 | \$ 247,156 | 2004 | 20 | 7 | \$ 303,970.71 | 0.1366 | \$ 41,509.07 |
| Land | \$ 23,744 | \$ 34,926 | | | | | | |
| Additional 2007 Expenditures | | | | | | | | |
| WWTP weir (WP&H) | \$ 2,300 | \$ 3,164 | 2005 | 20 | 8 | \$ 4,008.06 | 0.1186 | \$ 475.29 |
| Swr srv repair (WP&H) | \$ 4,000 | \$ 5,503 | 2005 | 20 | 8 | \$ 6,971.04 | 0.1186 | \$ 826.65 |
| WWTP repair (WP&H) | \$ 605 | \$ 833 | 2005 | 20 | 8 | \$ 1,055.22 | 0.1186 | \$ 125.13 |
| IP Beds Wastewater Disposal | | | | | | | | |
| IP Beds Wastewater Disposal | \$ 137,230 | \$ 188,792 | 2005 | 20 | 8 | \$ 239,156.06 | 0.1186 | \$ 28,360.09 |
| RI Dose System | | | | | | | | |
| Rapid infiltration dose system | \$ 746,494 | \$ 1,018,856 | 2005 | 20 | 8 | \$ 1,290,656.30 | 0.1186 | \$ 153,051.22 |
| Additional 2004 Expenditures | \$ 5,250 | \$ 7,413 | 2004 | 20 | 7 | \$ 9,117.05 | 0.1366 | \$ 1,244.99 |
| Additional 2006 Expenditures | \$ 31,480 | \$ 41,045 | 2006 | 20 | 9 | \$ 53,554.42 | 0.1046 | \$ 5,602.32 |
| Additional 2008 Expenditures | \$ 16,371 | \$ 20,079 | 2008 | 20 | 11 | \$ 27,794.03 | 0.0843 | \$ 2,342.87 |
| Subtotal | \$ 2,325,092 | \$ 3,204,317 | | | | \$ 4,009,415 | | \$ 479,378 |
| Elk Grove Share of WWTP (28% of Subtotal) | \$ 651,026 | \$ 897,209 | | | | \$ 1,122,636 | | \$ 134,226 |

Sewer System Total Annual Asset Replacement Cost \$ 165,688
Sewer System Asset Replacement Factor₍₃₎ 50%
Sewer System Annual Asset Replacement Cost \$ 82,843.88

Assumptions

| | | | |
|--------------------------------|-------|---|---|
| Inflation Rate (i) | 0.00% | F = (2015 construction cost) * (1 + i) ⁿ | A = (reconstruction cost) * $\frac{i}{(1+i)^n - 1}$ |
| Rate of Return Saved Funds (i) | 0.00% | where i = inflation rate | where i = rate of return |
| No salvage value of assets | | n = remaining useful life | n = remaining useful life |

Footnotes

- (1) Per Valuation Update for the Water and Sewer Systems of Utility Solutions, Inc, HDR 2015 (i.e. appraisal of infrastructure during purchase of system from U.S.)
(2) Land is a permanent asset, not included in replacement costs
(3) The FCWSD Board of Directors voted to fund 50% of the Total Elk Grove Annual Asset Replacement Cost in order to set aside funds for asset replacement. The chosen asset replacement fund places less burden on Elk Grove Subdivision lots than strict depreciation and builds a reserve for future improvements.

LONG TERM DEBT - SEWER

| Description of Obligation | Payments | | Principal |
|---------------------------------------|---------------------------|--------------------------------|-----------|
| | Total Annual Debt Service | Elk Grove Share (28% of Total) | |
| CST WW Loan (From Purchase of System) | \$ 204,768 | \$ 57,335 | \$3.06M |
| | | | |
| | | | |