

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

**GREAT FALLS, MONTANA**

**FINANCIAL STATEMENTS**

**AS OF**

**DECEMBER 31, 2021**

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***Douglas Wilson & Company, P.C.***

**SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT**  
**GREAT FALLS, MONTANA**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
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**Sun Prairie Village  
County Water & Sewer District**

1047 Grant Drive  
Great Falls, MT 59404  
(406) 965-3944

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**LETTER OF TRANSMITTAL**

December 19, 2022

Citizens of Sun Prairie Village County Water and Sewer District  
Board of Directors Sun Prairie Village County Water and Sewer District  
Great Falls, Montana

I am pleased to submit the annual audited financial statements of the Sun Prairie Village County Water and Sewer District, Great Falls, Montana for the year ended December 31, 2021. Management is responsible for both the accuracy and the presented data and the completeness and fairness of the presentation, including all disclosures. It is believed that the data presented is accurate in all material aspects, presented in a manner designed to fairly set forth the financial position and results of operations of the Sun Prairie Village County Water and Sewer District. All disclosures necessary for the readers to gain maximum understanding of the District's financial affairs have been included.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in combination with it. The MD&A can be found immediately following the report of the independent auditors.

**GENERAL INFORMATION**

Background - Sun Prairie Village County Water and Sewer District ("District") was created in 1989. The District is a subdivision of the State of Montana in general, Cascade County in particular. The purpose of the District is to construct and operate the water and sewer system for the subdivisions located within the District. All expenses and liabilities are paid with user fees collected from residents of the District.

**ORGANIZATION OF DISTRICT**

The District is governed by a Board that acts as the authoritative and legislative body. The Board currently is comprised of five members, all of whom are voting and elected by the residents of the District. Any registered elector in the district may file a petition for candidacy with the election administrator of the district. All candidates are required to file a nonpartisan petition for candidacy.

The Board appoints the Chair of the Board from the existing Board members to serve a one-year term as Chair. The Chair is charged with the responsibility of presiding at all Board meetings and acting as chief legislative officer of the District. A General Manager of the District, also appointed by the Board, is charged with the responsibility of serving as chief executive officer of the District as prescribed by the Board.

**SUN PRAIRIE VILLAGE COUNTY WATER AND  
SEWER DISTRICT'S ECONOMIC OUTLOOK**

The District continues to operate with positive cash flows. Rates are monitored to determine if they are adequate to provide the funds needed to operate the district.

Respectfully Submitted,

*Roland Martin*

President of Sun Prairie Village County Water and Sewer District

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

**GREAT FALLS, MONTANA**

**BOARD OF DIRECTORS AND ADMINISTRATIVE OFFICIALS  
AS OF DECEMBER 31, 2021**

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**Board of Directors**

**Position**

**Term Expires**

Roland Martin

President

5/31/2022

Kevin Askeland

Vice-President

5/31/2023

David Abbott

Member

5/31/2022

Keith Kallstrom

Member

5/31/2023

Richard Matiska

Member

5/31/2022

**Administrative Officials**

Janet Fulmer

General Manager



Certified Public Accountants  
Since 1913

**Douglas WILSON**  
and Company, PC

Gerard K. Schmitz, CPA  
Myra L. Bakke, CPA  
Melissa H. Soldano, CPA  
Katherine A. Durbin, CPA

To the Board of Directors  
Sun Prairie Village County Water and Sewer District  
Great Falls, Montana

Bruce H. Gaare, CPA  
Randal J. Boysun, CPA

**INDEPENDENT AUDITOR'S REPORT**

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

***Opinion***

We have audited the financial statements of the business-type activities and each major fund of the Sun Prairie Village County Water and Sewer District ("District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2021, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***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. 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 the 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***

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***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 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, 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 the 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 the 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.

## ***Other Reporting Information***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 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.

*Report on Summarized Comparative Information*

We have previously audited the District's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2021. In our opinion, the summarized comparative information present herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of the District and 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 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.



Great Falls, Montana  
December 19, 2022

# SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

## GREAT FALLS, MONTANA

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2021

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As management of Sun Prairie Village County Water and Sewer District, we offer readers of Sun Prairie Village County Water and Sewer District's financial statements this narrative overview and analysis of the financial activities of the Sun Prairie Village County Water and Sewer District for the year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1 of this report.

#### FINANCIAL HIGHLIGHTS

Total operating revenues for Sun Prairie Village County Water and Sewer District were \$605,629 for calendar year 2021. This was an increase of 2.2% from the prior year.

Total operating expenses before depreciation and amortization were \$355,557 in calendar year 2021, an increase of 10% from the prior year.

Total net position as of December 31, 2021 was \$4,987,808, an increase of \$34,550 from total net assets as December 31, 2020.

Total capital assets (net of depreciation) were \$5,312,038 as of December 31, 2021, a decrease of \$86,897 or 1.6% less than December 31, 2020. Major additions to capital assets in 2021 included improvements to the water system.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Sun Prairie Village County Water and Sewer District's basic financial statements and the notes thereto.

The Sun Prairie Village County Water and Sewer District's only activity is to operate a water and sewer system, which is principally supported by user fees. Sun Prairie Village County Water and Sewer District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The District's financial statements are prepared in accordance with Government Auditing Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments."

In accordance with GAAP, Sun Prairie Village County Water and Sewer District's revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of Sun Prairie Village County Water and Sewer District are included in the Statement of Net Position and depreciation of capital assets is recognized in the Statement of Revenues, Expenses and Changes in Fund Net Position. The financial statements also include notes that provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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

**GREAT FALLS, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

The Statement of Net Position presents information on all of the Sun Prairie Village County Water and Sewer District's assets and liabilities, with a difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Sun Prairie Village County Water and Sewer District is improving or deteriorating.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes, presented on pages 14 through 22, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the basic financial statements.

**FINANCIAL ANALYSIS**

**Net Position** - Sun Prairie Village County Water and Sewer District's total net position at December 31, 2021 was \$4,987,808, an increase of \$34,550 or 0.7% from December 31, 2020 (See Table A-1). Total assets decreased \$22,673 or 0.3% and total liabilities decreased \$57,223 or 3.5%.

**TABLE A-1  
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT  
NET POSITION  
AS OF DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>% Change</u>	<u>2019</u>	<u>% Change</u>
Current Assets	\$ 445,791	\$ 430,978	3.4%	\$ 372,801	15.6%
Restricted Assets	792,802	742,144	6.8%	659,837	12.5%
Capital Assets	5,312,038	5,398,935	-1.6%	5,291,527	2.0%
Other Assets	12,880	14,127	-8.8%	15,374	-8.1%
Total Assets	<u>\$ 6,563,511</u>	<u>\$ 6,586,184</u>	-0.3%	<u>\$ 6,339,539</u>	3.9%
Total Liabilities	<u>\$ 1,575,703</u>	<u>\$ 1,632,926</u>	-3.5%	<u>\$ 1,605,814</u>	1.7%
Net Position:					
Net Investment in Capital Assets	\$ 3,770,133	\$ 3,829,371	-1.5%	\$ 3,695,087	3.6%
Restricted	792,802	742,144	6.8%	659,837	12.5%
Unrestricted	424,873	381,743	11.3%	378,801	0.8%
Total Net Position	<u>\$ 4,987,808</u>	<u>\$ 4,953,258</u>	0.7%	<u>\$ 4,733,725</u>	4.6%

The largest portion of the Sun Prairie Village County Water and Sewer District's total assets at December 31, 2021, \$5,312,038 of \$6,563,511 (81%), reflects the District's net investment in capital assets (land, buildings, machinery and equipment, and construction in progress). The Sun Prairie Village County Water and Sewer District uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

At December 31, 2021 and 2020, the District's liabilities consisted of accounts payable, customer deposits, and bonds payable.

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

**GREAT FALLS, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

The balance in restricted assets represents funds reserved for specific purposes. The remaining balance of unrestricted net assets may be used to meet the district's ongoing obligations to citizens and creditors.

**TABLE A-2  
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT'S  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>% Change</u>	<u>2019</u>	<u>% Change</u>
<b>Operating Revenues</b>					
User Fees	\$ 582,523	\$ 573,528	1.6%	\$ 535,031	7.2%
Connection Fees	9,842	15,034	-34.5%	14,285	5.2%
Other Income	<u>13,264</u>	<u>4,250</u>	212.1%	<u>12,530</u>	-66.1%
Total Operating Revenues	<u>605,629</u>	<u>592,812</u>	2.2%	<u>561,846</u>	5.5%
<b>Operating Expenses</b>					
Total Operating Expenses Before					
Depreciation and Amortization	355,557	322,989	10.1%	351,023	-8.0%
Depreciation and Amortization	<u>185,496</u>	<u>183,739</u>	1.0%	<u>174,677</u>	5.2%
Total Operating Expenses Including Depreciation and Amortization	<u>541,053</u>	<u>506,728</u>	6.8%	<u>525,700</u>	-3.6%
Operating Gain (Loss)	64,576	86,084	-25.0%	36,146	138.2%
<b>Non-Operating Revenues and Capital Contributions net of Non-operating Expenses</b>					
Change in Net Position	<u>34,550</u>	<u>219,533</u>	-84.3%	<u>16,826</u>	1204.7%
Total Net Position, Beginning	<u>4,953,258</u>	<u>4,733,725</u>	4.6%	<u>4,716,899</u>	0.4%
Total Net Position, Ending	<u><b>\$ 4,987,808</b></u>	<u><b>\$ 4,953,258</b></u>	0.7%	<u><b>\$ 4,733,725</b></u>	4.6%

**Operating Revenues** - Operating revenues are composed of user fees and connection fees. Operating revenues increased \$13,117 from last year.

**Operating Expenses** - Operating expenses are composed of employment costs and other operating costs detailed below.

**Employment Costs** - Employment costs consist of full-time and part-time regular wages and related overtime costs, employment taxes, retirement contributions, and other fringe benefits. Employment costs increased \$27,138 or 18.9% over 2020.

**Other Operating Costs** - Other operating costs include depreciation, repairs, maintenance, parts, materials and supplies, insurance, utilities, vehicle operations, and other expenses. Other operating costs increased \$6,737 or 1.9% compared to 2020.

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

**GREAT FALLS, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**Capital Assets** - As of December 31, 2021, Sun Prairie Village County Water and Sewer District had invested \$8,928,140 in capital assets. Net of accumulated depreciation, Sun Prairie Village County Water and Sewer District's net capital assets as of December 31, 2021 totaled \$5,312,038 (See Table A-3). This amount represents a net decrease of \$86,897 from December 31, 2020, due to depreciation expense.

**TABLE A-3  
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT'S  
CAPITAL ASSETS (NET OF DEPRECIATION)  
AS OF DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>% Change</u>	<u>2019</u>	<u>% Change</u>
Buildings and					
System Infrastructure	\$ 7,901,891	\$ 7,879,772	0.3%	\$ 7,782,080	1.3%
Equipment	651,521	651,521	0.0%	645,320	1.0%
Accumulated Depreciation	<u>(3,616,102)</u>	<u>(3,431,853)</u>	5.4%	<u>(3,249,361)</u>	5.6%
 Total Capital Assets being Depreciated, Net	 <u>4,937,310</u>	 <u>5,099,440</u>	 -3.2%	 <u>5,178,039</u>	 -1.5%
Construction in Progress	<u>374,728</u>	<u>299,495</u>	25.1%	<u>113,488</u>	163.9%
 Total Capital Assets	 <u><u>\$ 5,312,038</u></u>	 <u><u>\$ 5,398,935</u></u>	 -1.6%	 <u><u>\$ 5,291,527</u></u>	 2.0%

The major capital activity is related to improving the infrastructure of the water and sewer systems and buildings used to store vehicles and equipment.

**Budgetary Integrity, Accounting Systems, and Internal Controls** - Budgetary controls are exercised at the department level by major types of expenditures, and budget to actual performance is reported to the Board of Directors monthly. The financial statements are audited annually by an independent auditor who provides a report thereon to the Board of Directors.

In developing and maintaining Sun Prairie Village County Water and Sewer District's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that the cost of control should not exceed the benefits likely to be derived from its use and that the evaluation of the cost and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework.

**Debt Administration** - At December 31, 2021, Sun Village County Water and Sewer District had bonds outstanding to the USDA that totaled \$1,541,905. At December 31, 2020, Sun Village County Water and Sewer District had bonds outstanding to the USDA that totaled \$1,569,564.

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

**GREAT FALLS, MONTANA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

No significant changes are expected for the next year. The budget will be funded mainly through user fees.

**CONDITIONS AFFECTING CURRENT FINANCIAL POSITION**

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Sun Prairie Village County Water and Sewer District's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sun Prairie Village County Water and Sewer District, 1047 Grant Drive, Great Falls, MT 59404.

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

**GREAT FALLS, MONTANA**

**STATEMENT OF NET POSITION AS OF DECEMBER 31, 2021  
(WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2020)**

	Water Fund	Sewer Fund	Total	
			2021	2020
<b>ASSETS</b>				
Current:				
Cash and Cash Equivalents	\$ 116,795	\$ 83,536	\$ 200,331	\$ 155,334
Investments	100,654	85,730	186,384	185,287
Accounts Receivable	42,439	18,187	60,626	59,323
Allowance for Uncollectible Accounts Receivable	(10,800)	(7,200)	(18,000)	(18,000)
Capital Contributions Receivable	-	6,847	6,847	40,930
Prepaid Expenses	6,494	3,109	9,603	8,104
<b>Total Current Assets</b>	<b>255,582</b>	<b>190,209</b>	<b>445,791</b>	<b>430,978</b>
Restricted:				
Cash and Cash Equivalents	287,911	194,480	482,391	427,716
Investments	148,717	161,694	310,411	314,428
<b>Total Restricted Assets</b>	<b>436,628</b>	<b>356,174</b>	<b>792,802</b>	<b>742,144</b>
Capital Assets:				
Capital Assets being Depreciated, net	4,536,018	401,292	4,937,310	5,099,440
Construction in Progress	-	374,728	374,728	299,495
<b>Total Capital Assets</b>	<b>4,536,018</b>	<b>776,020</b>	<b>5,312,038</b>	<b>5,398,935</b>
Other Assets:				
Loan Fees	6,000	17,520	23,520	23,520
Capitalized Interest	-	49,864	49,864	49,864
	6,000	67,384	73,384	73,384
Less: Accumulated Amortization	(6,000)	(54,504)	(60,504)	(59,257)
<b>Total Other Assets</b>	<b>-</b>	<b>12,880</b>	<b>12,880</b>	<b>14,127</b>
<b>Total Assets</b>	<b>5,228,228</b>	<b>1,335,283</b>	<b>6,563,511</b>	<b>6,586,184</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	42	11,944	11,986	48,203
Accrued Payroll and Related Liabilities	6,520	2,794	9,314	7,085
Customer Deposits	8,749	3,749	12,498	8,074
Current Portion of Bonds Payable	28,463	-	28,463	27,657
<b>Total Current Liabilities</b>	<b>43,774</b>	<b>18,487</b>	<b>62,261</b>	<b>91,019</b>
Long Term Liabilities:				
Bonds Payable, Net of Current Portion	1,513,442	-	1,513,442	1,541,907
<b>Total Long Term Liabilities</b>	<b>1,513,442</b>	<b>-</b>	<b>1,513,442</b>	<b>1,541,907</b>
<b>Total Liabilities</b>	<b>1,557,216</b>	<b>18,487</b>	<b>1,575,703</b>	<b>1,632,926</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	2,994,113	776,020	3,770,133	3,829,371
Restricted	436,628	356,174	792,802	742,144
Unrestricted	240,271	184,602	424,873	381,743
<b>Total Net Position</b>	<b>\$ 3,671,012</b>	<b>\$ 1,316,796</b>	<b>\$ 4,987,808</b>	<b>\$ 4,953,258</b>

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

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

**GREAT FALLS, MONTANA**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	Water Fund	Sewer Fund	Total	
			2021	2020
<b>Revenue:</b>				
User Fees	\$ 403,499	\$ 179,024	\$ 582,523	\$ 573,528
Connection and Convenience Fees	6,659	3,183	9,842	15,034
Other Income	8,372	4,892	13,264	4,250
Total Revenue	<u>418,530</u>	<u>187,099</u>	<u>605,629</u>	<u>592,812</u>
<b>Expenses:</b>				
Salaries	71,968	71,968	143,936	121,327
Payroll Taxes and Insurance	9,036	9,036	18,072	13,803
Retirement	2,117	2,117	4,234	3,828
Cafeteria Contribution Expense	2,005	2,005	4,010	4,156
Depreciation and Amortization	141,016	44,480	185,496	183,739
Chemical Supplies	24,388	-	24,388	28,668
Laboratory Testing and Supplies	2,830	4,009	6,839	8,299
Contract Labor	31,058	5,881	36,939	15,493
Professional Fees	4,250	4,250	8,500	10,412
Repairs and Maintenance	7,716	1,932	9,648	11,659
Vehicle Operations	3,201	5,101	8,302	5,912
Utilities	39,329	12,659	51,988	60,367
Office	5,663	3,990	9,653	9,943
Insurance	10,774	10,774	21,548	20,394
Miscellaneous	4,121	3,379	7,500	8,728
Total Operating Expenses	<u>359,472</u>	<u>181,581</u>	<u>541,053</u>	<u>506,728</u>
Operating Income (Loss)	<u>59,058</u>	<u>5,518</u>	<u>64,576</u>	<u>86,084</u>
<b>Non-Operating Revenues and (Expenses):</b>				
Interest Income	4,321	3,383	7,704	11,134
Interest Expense	(44,761)	-	(44,761)	(45,544)
Net Increase (Decrease) in the Fair Value of Investments	<u>(16,404)</u>	<u>(10,981)</u>	<u>(27,385)</u>	<u>(12,226)</u>
Total Non-Operating Revenue (Expenses), Net	<u>(56,844)</u>	<u>(7,598)</u>	<u>(64,442)</u>	<u>(46,636)</u>
Capital Contributions	-	34,416	34,416	180,085
Transfers	<u>3,409</u>	<u>(3,409)</u>	-	-
Change in Net Position	5,623	28,927	34,550	219,533
Net Position, Beginning of Year	<u>3,665,389</u>	<u>1,287,869</u>	<u>4,953,258</u>	<u>4,733,725</u>
Net Position, End of Year	<u>\$ 3,671,012</u>	<u>\$ 1,316,796</u>	<u>\$ 4,987,808</u>	<u>\$ 4,953,258</u>

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

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

STATEMENT OF CHANGES IN CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Water Fund	Sewer Fund	Total	
			2021	2020
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 420,714	\$ 188,036	\$ 608,750	\$ 591,589
Cash Receipts from Other Sources	-	-	-	-
Cash Paid for Goods and Services	(141,157)	(47,628)	(188,785)	(169,535)
Cash Paid for Employees	(81,870)	(86,153)	(168,023)	(139,603)
Net Cash Provided by Operating Activities	<u>197,687</u>	<u>54,255</u>	<u>251,942</u>	<u>282,451</u>
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	(181,655)	(167,684)	(349,339)	(408,693)
Investments Sold and Matured	154,795	170,079	324,874	510,969
Investment Earnings	4,321	3,383	7,704	11,134
Net Cash Provided (Used) by Investing Activities	<u>(22,539)</u>	<u>5,778</u>	<u>(16,761)</u>	<u>113,410</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
<b>Financing Activities:</b>				
Purchase of Capital Assets	(18,202)	(113,386)	(131,588)	(248,817)
Capital Contributions	-	68,499	68,499	139,155
Principal Paid on Bonds	(27,659)	-	(27,659)	(26,876)
Interest Paid	(44,761)	-	(44,761)	(45,544)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(90,622)</u>	<u>(44,887)</u>	<u>(135,509)</u>	<u>(182,082)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers	3,409	(3,409)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,409</u>	<u>(3,409)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	87,935	11,737	99,672	213,779
Cash at Beginning of Year	316,771	266,279	583,050	369,271
Cash at End of Year	<u>\$ 404,706</u>	<u>\$ 278,016</u>	<u>\$ 682,722</u>	<u>\$ 583,050</u>
<b>Reconciliation of Operating Income (Loss) to net cash provided by Operating Activities:</b>				
Operating Income (Loss)	\$ 59,058	\$ 5,518	\$ 64,576	\$ 86,084
<b>Adjustments to Reconcile Operating Income (Loss) to net cash flows from Operating Activities:</b>				
<b>Noncash items included in Operating Income:</b>				
Depreciation	141,016	43,233	184,249	182,492
Amortization	-	1,247	1,247	1,247
<b>Changes in Assets and Liabilities:</b>				
Accounts Receivable	(913)	(390)	(1,303)	(1,223)
Prepaid Expenses	(749)	(750)	(1,499)	946
Trade Accounts Payable	(7,078)	5,097	(1,981)	6,964
Accrued Payroll	3,256	(1,027)	2,229	3,511
Customer Deposits	3,097	1,327	4,424	2,430
Net Cash Provided by Operating Activities	<u>\$ 197,687</u>	<u>\$ 54,255</u>	<u>\$ 251,942</u>	<u>\$ 282,451</u>
<b>Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:</b>				
Cash and Cash Equivalents - Unrestricted	\$ 116,795	\$ 83,536	\$ 200,331	\$ 155,334
Cash and Cash Equivalents - Restricted	287,911	194,480	482,391	427,716
Cash and Cash Equivalents	<u>\$ 404,706</u>	<u>\$ 278,016</u>	<u>\$ 682,722</u>	<u>\$ 583,050</u>

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

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Background** - Sun Prairie Village County Water and Sewer District ("District") was created in 1989. The District is a subdivision of the State of Montana in general, Cascade County in particular. The purpose of the District is to construct and operate the water and sewer system for the subdivisions located within the District. All expenses and liabilities are paid with user fees collected from residents of the District.

**Accounting Method** - The financial statements are prepared on the accrual basis of accounting, and accordingly, revenue and expenses are recorded when earned or incurred rather than when received or paid. Operations are accounted for using a proprietary fund, which is similar to a private business enterprise.

**Financial Reporting** - The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's proprietary fund.

**Revenue and Expense Classification** - The District distinguishes operating revenues and expenses from non-operating items in preparation of these financial statements. Operating revenues and expenses generally result from providing water and sewer services in connection with the District's principal on-going operations. The principal operating revenues are generated from water and sewer user fees. The District's operating expenses include labor and benefits, materials, supplies, utilities, insurance, and other expenses related to the delivery of water and sewer services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses in accordance with GASB standards.

**Depreciation** - The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line basis over 50 years for sewer lagoon or water mains, three to seven years for pumps, pipe and equipment and five years for office furniture and equipment. Items over \$200 with a useful life of more than one year are capitalized.

**Construction in Process** - The District is involved in various construction projects throughout the year. Once completed, those projects are capitalized and depreciated over the life of the asset.

**Deferred Bond Issue Costs/Capitalized Interest** - The costs directly related to the bond issue are amortized on a straight-line basis over the life of the bond issue (20 years). Interest capitalized during construction is amortized on a straight-line basis over the life of the improvements (40 years).

**Interfund Activity** - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

---

**Net Position** - The District classifies its net position into the following three categories:

- **Net Investment in Capital Assets** - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- **Restricted** - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. This represents the resources in which the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- **Unrestricted** - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. This represents the resources that are available for general use.

**Cash Equivalents** - The District considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents". Cash is entirely insured as of December 31, 2021.

**Investments** - Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

---

All investments of the District are invested in bonds which are allowed by law. Investments are carried at fair market value. Management's intent is to hold all investments to maturity. Investments are entirely insured as of December 31, 2021.

**Accounts Receivable** - These amounts are due from water and sewer customers of the District. The District uses the allowance method for bad debts using historical analysis to estimate this amount. Any receivables outstanding over 30 days are considered past due.

**Prepaid Expenses** - Certain payments to vendors represent costs applicable to futures accounting periods and are recorded as prepaid expenses and expensed as the services are used.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassification** - The District has reclassified certain prior year information to conform to current year presentations. The previously reported change in net position and total net position were unaffected by the reclassification.

**Date of Management Review** - The District's management has evaluated subsequent events through December 19, 2022, the date on which the financial statements were available to be issued.

**NOTE 2: RESTRICTED ASSETS:**

The District has received federal grants and issued bonds to construct and improve the water and sewer system. Under terms of the grants and bonds, certain funds are restricted for specific purposes. Restricted assets are applied first when an expense is incurred for which both restricted and unrestricted resources are available. Restricted use accounts are summarized as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Replacement and Depreciation Fund account	\$ 314,966	\$ 356,846
Improvement Project Fund account	37,099	(672)
USDA Revenue Bond and Reserve accounts	84,563	-
Total	<u>\$ 436,628</u>	<u>\$ 356,174</u>

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 3: INVESTMENTS:**

Investments authorized at December 31, 2021 by the District's investment policy:

<u>Type of Investments</u>	<u>Measurement Input</u>	<u>Fair Value</u>	<u>Maturity</u>			
			<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>Over 60 Months</u>
U.S. Treasury obligations	Level 2	\$ 7,183	\$ 28	\$ 5	\$ 372	\$ 6,778
Non-negotiable certificates of deposit	Level 2	489,612	111,179	134,651	243,782	-
<b>Total Investments</b>		<b>\$ 496,795</b>	<b>\$ 111,207</b>	<b>\$ 134,656</b>	<b>\$ 244,154</b>	<b>\$ 6,778</b>

**Fair Value Measurement Input** - The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a credit rating by a nationally recognized statistical rating organization.

**Interest Rate Risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk** - The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer.

**NOTE 4: CAPITAL ASSETS:**

Capital assets, as of December 31, 2021, are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Buildings and System Improvements	\$ 7,879,772	\$ 22,119	\$ -	\$ 7,901,891
Furniture, Fixtures and Equipment	651,521	-	-	651,521
Total Capital Assets				
Being Depreciated	<u>8,531,293</u>	<u>22,119</u>	<u>-</u>	<u>8,553,412</u>

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

**GREAT FALLS, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

<i>(Continued)</i>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated Depreciation				
Buildings and System Improvements	(3,044,717)	(175,600)	-	(3,220,317)
Furniture, Fixtures and Equipment	(387,136)	(8,649)	-	(395,785)
Total Accumulated Depreciation	<u>(3,431,853)</u>	<u>(184,249)</u>	<u>-</u>	<u>(3,616,102)</u>
Total Capital Assets Being				
Depreciated, Net	5,099,440	(162,130)	-	4,937,310
Construction in Progress	299,495	75,233	-	374,728
Total Net Capital Assets	<u>\$ 5,398,935</u>	<u>\$ (86,897)</u>	<u>\$ -</u>	<u>\$ 5,312,038</u>

**NOTE 5: BONDS PAYABLE:**

**USDA Water System Bond - Series 2015 A and B** - In connection with the District's acquisition and construction of improvements to the system, the District obtained two bonds from the USDA.

**Water System Bond Description** - USDA 2015A water system revenue bond due in monthly installments of \$4,911 at an interest rate of 2.875%; the balance of this bond at December 31, 2021 was \$1,255,854. Final scheduled payment is January 2055.

USDA 2015B water system revenue bond due in monthly installments of \$1,124 at an interest rate of 2.875%; the balance of this bond at December 31, 2021 was \$286,051. Final scheduled payment is January 2055.

Debt service requirements at December 31, 2021 are as follows:

<b>USDA 2015A</b>				
<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2022	\$ 58,932	\$ 35,803	\$ 23,129	\$ 1,232,725
2023	58,932	35,129	23,803	1,208,922
2024	58,932	34,436	24,496	1,184,426
2025	58,932	33,722	25,210	1,159,216
2026	58,932	32,988	25,944	1,133,272
2027-2031	294,660	153,151	141,509	991,763
2032-2036	294,660	131,300	163,360	828,403
2037-2041	294,660	106,079	188,581	639,822
2042-2046	294,660	76,964	217,696	422,126
2047-2051	294,660	43,352	251,308	170,818
2052-2055	178,573	7,755	170,818	-
Total	<u>\$ 1,946,533</u>	<u>\$ 690,679</u>	<u>\$ 1,255,854</u>	

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

USDA 2015B

Year Ending December 31,	Payments	Interest	Principal	Balance
2022	\$ 13,488	\$ 8,154	\$ 5,334	\$ 280,717
2023	13,488	7,999	5,489	275,228
2024	13,488	7,839	5,649	269,579
2025	13,488	7,674	5,814	263,765
2026	13,488	7,505	5,983	257,782
2027-2031	67,440	34,807	32,633	225,149
2032-2036	67,440	29,768	37,672	187,477
2037-2041	67,440	23,950	43,490	143,987
2042-2046	67,440	17,235	50,205	93,782
2047-2051	67,440	9,485	57,955	35,827
2052-2055	37,314	1,487	35,827	-
Total	<u>\$ 441,954</u>	<u>\$ 155,903</u>	<u>\$ 286,051</u>	

**NOTE 6: BOND COVENANTS:**

**USDA Water System Revenue Bond - Series 2015 A and B** - The bond agreement specifically requires that the District comply with certain bond covenants. A summary of those covenants is as follows:

The District must set user rates sufficient to provide income adequate to pay current expenses, the maintenance of required reserves established for the Series 2015 Bonds, and net revenues in excess of current expenses before depreciation.

**Construction Account** - The District must establish and maintain a construction account for the deposit of the proceeds of the bond issue. Disbursements from the account are limited to capital assets of the project, subject to the approval of the USDA. The balance at December 31, 2021 is \$37,099.

**Water Revenue Bond Account** - The District must maintain and account for the monthly deposit on the next installment of the principal and interest due on the Series 2015 Bonds. Disbursement of funds from the account is limited to monthly bond payments. The balance at December 31, 2021 is \$9,756.

**Water Reserve Account** - The District must maintain an account to establish a reserve for the payment of bond principal and interest. The District is required to credit the account \$605 per month. Any excess balance in the account is required to be credited to the Revenue Bond Account. The balance at December 31, 2021 is \$74,807.

**Replacement and Depreciation Accounts** - The District board shall deposit to these accounts reasonable amounts to accumulate for repair, replacement, or renewal of the systems. Funds deposited to these accounts are made only after the Operating, Revenue Bond and Reserve Accounts are funded. Balance in the accounts at year end is \$244,378.

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

**GREAT FALLS, MONTANA**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**Surplus Accounts** - Any funds available after the required accounts are funded may be deposited to these accounts for future operating or funding of shortages in other accounts. These accounts have a zero balance at December 31, 2021.

**Operating Account** - The District must maintain an operating account for the purpose of depositing revenues collected from users and to pay current operating expenses only. Net revenues at the end of each month in the operating account are to be distributed to other accounts in accordance with additional covenants. This account is considered to be unrestricted on the District's Statement of Net Position. The balance at December 31, 2021 is \$68,184.

**Insurance** - The District is required to carry property and liability insurance. Minimum requirements are established for liability coverage.

**NOTE 7: PREMISES CONNECTED TO SYSTEM:**

On December 31, 2021, premises connected to the water and sewer system are:

Water and Sewer - Full Service	477
Water and Sewer - Connected but Turned Off	40

**NOTE 8: RISK MANAGEMENT:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During 2021, the District contracted with several companies for various types of insurance coverage as follows:

<u>Insurer and Risk Covered</u>	<u>Amount of Insurance</u>	<u>Expiration Date</u>
<b>MACO</b>		
Commercial Auto:		
-Liability	\$750,000 per claim / \$1,500,000 per occurrence	7/1/23
-Medical	\$5,000 per person/\$50,000 per accident	
-Uninsured Motorist	\$750,000 per claim / \$1,500,000 per occurrence	
General Liability:		
-Generate Aggregate	\$1,500,000	
-Products\Operations	\$1,500,000	
-Personal Injury	\$750,000	
-Each Occurrence	\$750,000	
-Fire Damage	\$750,000	
-Medical Expense	\$5,000 per person/\$50,000 per accident	

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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<u>Insurer and Risk Covered</u>	<u>Amount of Insurance</u>	<u>Expiration Date</u>
Commercial Property:		
-Buildings	\$413,260	
-Personal Property	\$193,000	
Public Officials Bond	\$500,000	7/1/23
<u>State of Montana</u> Workers' Compensation	\$100,000	7/1/23
<u>Redland Insurance Company</u> Flood insurance	\$160,700	5/9/23

**NOTE 9: RETIREMENT PLAN:**

The District has adopted a Simplified Employee Pension (SEP) plan that covers all of their employees with over one year of service. The plan provides for immediate vesting. The District currently makes contributions of 4% of employee wages. The amount of District contributions to the plan for the years ended December 31, 2021 and 2020 totaled \$4,234 and \$3,828, respectively.

**NOTE 10: COMPARATIVE INFORMATION:**

The financial statements include prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2020 from which the summarized information was derived.



**Douglas WILSON**  
and Company, PC

To the Board of Directors  
Sun Prairie Village County Water and Sewer District  
Great Falls, Montana

Gerard K. Schmitz, CPA  
Myra L. Bakke, CPA  
Melissa H. Soldano, CPA  
Katherine A. Durbin, CPA

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Bruce H. Gaare, CPA  
Randal J. Boysun, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type-activities and each major fund of Sun Prairie Village County Water and Sewer District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Sun Prairie Village County Water and Sewer District's basic financial statements, and have issued our report thereon dated December 19, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sun Prairie Village County Water and Sewer District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sun Prairie Village County Water and Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sun Prairie Village County Water and Sewer District's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Douglas Nelson + Company, P.C." The signature is written in a cursive, flowing style.

Great Falls, Montana  
December 19, 2022