

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

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 2020

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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, 2020

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ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 21-22



**Sun Prairie Village
County Water & Sewer District**

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

LETTER OF TRANSMITTAL

November 1, 2021

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, 2020. 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, 2020

<u>Board of Directors</u>	<u>Position</u>	<u>Term</u>	<u>Term Expires</u>
Roland Martin	President	4 Years	5/31/2022
Kevin Askeland	Vice-President	4 Years	5/31/2023
David Abbott	Member	4 Years	5/31/2022
Richard Matiska	Member	4 Years	5/31/2022

Administrative Officials

Janet Fulmer General Manager



Douglas WILSON
and Company, PC

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Myra L. Bakke, CPA
Melissa H. Soldano, CPA

Bruce H. Gaare, CPA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Sun Prairie Village County Water and Sewer District as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The prior year comparative information has been derived from the District's December 31, 2019 financial statements, and in our report dated September 16, 2020, we expressed an unmodified opinion on the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Sun Prairie Village County Water and Sewer District as of December 31, 2020, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

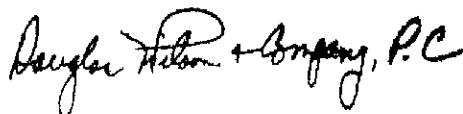
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sun Prairie Village County Water and Sewer 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 November 1, 2021, on our consideration of the Sun Prairie Village County Water and Sewer 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 Sun Prairie Village County Water and Sewer 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 Sun Prairie Village County Water and Sewer District's internal control over financial reporting and compliance.



Great Falls, Montana
November 1, 2021

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 \$592,812 for calendar year 2020. This was an increase of 5.5% from the prior year.

Total operating expenses before depreciation and amortization were \$322,989 in calendar year 2020, a decrease of 8% from the prior year.

Total net position as of December 31, 2020 was \$4,953,258, an increase of \$219,533 from total net assets as December 31, 2019.

Total capital assets (net of depreciation) were \$5,398,935 as of December 31, 2020, an increase of \$107,408 or 2% more than December 31, 2019. Major additions to capital assets in 2020 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, 2020**

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 13 through 20, 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, 2020 was \$4,953,258, an increase of \$219,533 or 4.6% from December 31, 2019 (See Table A-1). Total assets increased \$246,645 or 3.9% and total liabilities increased \$27,112 or 1.7%.

**TABLE A-1
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT
NET POSITION
AS OF DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>% Change</u>
Current Assets	\$ 430,978	\$ 372,801	15.6%	\$ 365,486	2.0%
Restricted Assets	742,144	659,837	12.5%	540,690	22.0%
Capital Assets	5,398,935	5,291,527	2.0%	5,424,713	-2.5%
Other Assets	14,127	15,374	-8.1%	16,621	-7.5%
Total Assets	<u>\$ 6,586,184</u>	<u>\$ 6,339,539</u>	3.9%	<u>\$ 6,347,510</u>	-0.1%
Total Liabilities	<u>\$ 1,632,926</u>	<u>\$ 1,605,814</u>	1.7%	<u>\$ 1,630,611</u>	-1.5%
Net Position:					
Net Investment in Capital Assets	\$ 3,829,371	\$ 3,695,087	3.6%	\$ 3,802,158	-2.8%
Restricted	742,144	659,837	12.5%	540,690	22.0%
Unrestricted	381,743	378,801	0.8%	374,051	1.3%
Total Net Position	<u>\$ 4,953,258</u>	<u>\$ 4,733,725</u>	4.6%	<u>\$ 4,716,899</u>	0.4%

The largest portion of the Sun Prairie Village County Water and Sewer District's total assets at December 31, 2020, \$5,398,935 of \$6,586,184 (82%), 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, 2020 and 2019, 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, 2020

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, 2020

	<u>2020</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>% Change</u>
Operating Revenues					
User Fees	\$ 573,528	\$ 535,031	7.2%	\$ 538,568	-0.7%
Connection Fees	15,034	14,285	5.2%	3,350	326.4%
Other Income	4,250	12,530	-66.1%	561	2133.5%
Total Operating Revenues	<u>592,812</u>	<u>561,846</u>	5.5%	<u>542,479</u>	3.6%
Operating Expenses					
Total Operating Expenses Before					
Depreciation and Amortization	322,989	351,023	-8.0%	357,216	-1.7%
Depreciation and Amortization	<u>183,739</u>	<u>174,677</u>	5.2%	<u>174,615</u>	0.0%
Total Operating Expenses					
Including Depreciation and					
Amortization	<u>506,728</u>	<u>525,700</u>	-3.6%	<u>531,831</u>	-1.2%
Operating Gain (Loss)	86,084	36,146	138.2%	10,648	239.5%
Non-operating Revenues and Capital					
Contributions net of Non-operating					
Expenses	<u>133,449</u>	<u>(19,320)</u>	-790.7%	<u>(41,942)</u>	-53.9%
Change in Net Position	219,533	16,826	1204.7%	(31,294)	-153.8%
Total Net Position, Beginning	<u>4,733,725</u>	<u>4,716,899</u>	0.4%	<u>4,748,193</u>	-0.7%
Total Net Position, Ending	<u>\$ 4,953,258</u>	<u>\$ 4,733,725</u>	4.6%	<u>\$ 4,716,899</u>	0.4%

Operating Revenues - Operating revenues are composed of user fees and connection fees. Operating revenues increased \$30,966 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 decreased \$24,250 or 14.5% over 2019.

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 \$5,308 or 1.5% compared to 2019.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Capital Assets - As of December 31, 2020, Sun Prairie Village County Water and Sewer District had invested \$8,540,888 in capital assets. Net of accumulated depreciation, Sun Prairie Village County Water and Sewer District's net capital assets as of December 31, 2020 totaled \$5,291,527 (See Table A-3). This amount represents a net decrease of \$133,186 from December 31, 2019, 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, 2020**

	<u>2020</u>	<u>2019</u>	<u>% Change</u>	<u>2018</u>	<u>% Change</u>
Building and Improvements	\$ 7,879,772	\$ 7,782,080	1.3%	\$ 7,762,892	0.2%
Equipment	651,521	645,320	1.0%	627,067	2.9%
Accumulated Depreciation	<u>(3,431,853)</u>	<u>(3,249,361)</u>	5.6%	<u>(3,075,932)</u>	5.6%
Total Capital Assets being Depreciated, Net	<u>5,099,440</u>	<u>5,178,039</u>	-1.5%	<u>5,314,027</u>	-2.6%
Construction in Progress	<u>299,495</u>	<u>113,488</u>	163.9%	<u>110,686</u>	2.5%
Total Capital Assets	<u><u>\$ 5,398,935</u></u>	<u><u>\$ 5,291,527</u></u>	2.0%	<u><u>\$ 5,424,713</u></u>	-2.5%

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, 2020, Sun Village County Water and Sewer District had bonds outstanding to the USDA that totaled \$1,569,564. At December 31, 2019, Sun Village County Water and Sewer District had bonds outstanding to the USDA that totaled \$1,596,440.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020
(WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2019)

	Water Fund	Sewer Fund	Total	
			2020	2019
ASSETS				
Current:				
Cash and Cash Equivalents	\$ 85,458	\$ 69,876	\$ 155,334	\$ 70,689
Investments	100,862	84,425	185,287	252,962
Accounts Receivable	41,526	17,797	59,323	58,100
Allowance for Uncollectible Accounts Receivable	(10,800)	(7,200)	(18,000)	(18,000)
Capital Contributions Receivable	-	40,930	40,930	-
Prepaid Expenses	5,745	2,359	8,104	9,050
Total Current Assets	<u>222,791</u>	<u>208,187</u>	<u>430,978</u>	<u>372,801</u>
Restricted:				
Cash and Cash Equivalents	231,313	196,403	427,716	298,582
Investments	138,053	176,375	314,428	361,255
Total Restricted Assets	<u>369,366</u>	<u>372,778</u>	<u>742,144</u>	<u>659,837</u>
Capital Assets:				
Capital Assets being Depreciated, net	4,658,832	440,608	5,099,440	5,178,039
Construction in Progress	-	299,495	299,495	113,488
Total Capital Assets	<u>4,658,832</u>	<u>740,103</u>	<u>5,398,935</u>	<u>5,291,527</u>
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)	(53,257)	(59,257)	(58,010)
Total Other Assets	<u>-</u>	<u>14,127</u>	<u>14,127</u>	<u>15,374</u>
Total Assets	<u>5,250,989</u>	<u>1,335,195</u>	<u>6,586,184</u>	<u>6,339,539</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	7,120	41,083	48,203	156
Accrued Payroll and Related Liabilities	3,264	3,821	7,085	3,574
Customer Deposits	5,652	2,422	8,074	5,644
Current Portion of Bonds Payable	27,657	-	27,657	26,874
Total Current Liabilities	<u>43,693</u>	<u>47,326</u>	<u>91,019</u>	<u>36,248</u>
Long Term Liabilities:				
Bonds Payable, Net of Current Portion	1,541,907	-	1,541,907	1,569,566
Total Long Term Liabilities	<u>1,541,907</u>	<u>-</u>	<u>1,541,907</u>	<u>1,569,566</u>
Total Liabilities	<u>1,585,600</u>	<u>47,326</u>	<u>1,632,926</u>	<u>1,605,814</u>
NET POSITION				
Net Investment in Capital Assets	3,089,268	740,103	3,829,371	3,695,087
Restricted	369,366	372,778	742,144	659,837
Unrestricted	206,755	174,988	381,743	378,801
Total Net Position	<u>\$ 3,665,389</u>	<u>\$ 1,287,869</u>	<u>\$ 4,953,258</u>	<u>\$ 4,733,725</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 REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	Water Fund	Sewer Fund	Total	
			2020	2019
Revenue:				
User Fees	\$ 395,327	\$ 178,201	\$ 573,528	\$ 535,031
Connection and Convenience Fees	7,668	7,366	15,034	14,285
Other Income	4,250	-	4,250	12,530
Total Revenue	407,245	185,567	592,812	561,846
Expenses:				
Salaries	60,664	60,663	121,327	141,056
Payroll Taxes and Insurance	6,901	6,902	13,803	15,669
Retirement	1,914	1,914	3,828	2,669
Cafeteria Contribution Expense	2,078	2,078	4,156	8,000
Depreciation and Amortization	138,576	45,163	183,739	174,677
Chemical Supplies	28,668	-	28,668	28,626
Laboratory Testing and Supplies	4,246	4,053	8,299	9,183
Contract Labor	14,313	1,180	15,493	31,162
Professional Fees	5,185	5,227	10,412	9,510
Repairs and Maintenance	10,790	869	11,659	7,796
Vehicle Operations	3,010	2,902	5,912	7,961
Utilities	45,230	15,137	60,367	55,434
Office	5,988	3,955	9,943	10,840
Insurance	10,197	10,197	20,394	16,801
Miscellaneous	4,614	4,114	8,728	6,316
Total Operating Expenses	342,374	164,354	506,728	525,700
Operating Income (Loss)	64,871	21,213	86,084	36,146
Non-Operating Revenues and (Expenses):				
Interest Income	6,465	4,669	11,134	11,507
Interest Expense	(45,544)	-	(45,544)	(46,305)
Net Increase (Decrease) in the Fair Value of Investments	(7,824)	(4,402)	(12,226)	478
Total Non-Operating Revenue (Expenses), Net	(46,903)	267	(46,636)	(34,320)
Capital Contributions	-	180,085	180,085	15,000
Transfers	36,758	(36,758)	-	-
Change in Net Position	54,726	164,807	219,533	16,826
Net Position, Beginning of Year	3,610,663	1,123,062	4,733,725	4,716,899
Net Position, End of Year	\$ 3,665,389	\$ 1,287,869	\$ 4,953,258	\$ 4,733,725

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, 2020
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2019)**

	Water Fund	Sewer Fund	Total	
			2020	2019
Cash Flows from Operating Activities:				
Cash Receipts from Customers	\$ 406,389	\$ 185,200	\$ 591,589	\$ 521,975
Cash Receipts from Other Sources	-	-	-	182
Cash Paid for Goods and Services	(123,051)	(46,484)	(169,535)	(183,473)
Cash Paid for Employees	(70,795)	(68,808)	(139,603)	(135,930)
Net Cash Provided by Operating Activities	<u>212,543</u>	<u>69,908</u>	<u>282,451</u>	<u>202,754</u>
Cash Flows from Investing Activities:				
Purchase of Investments	(272,903)	(135,790)	(408,693)	(836,412)
Investments Sold and Matured	270,474	240,495	510,969	520,711
Investment Earnings	6,465	4,669	11,134	11,507
Net Cash Provided (Used) by Investing Activities	<u>4,036</u>	<u>109,374</u>	<u>113,410</u>	<u>(304,194)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of Capital Assets	(103,474)	(145,343)	(248,817)	(40,243)
Capital Contributions	-	139,155	139,155	15,000
Principal Paid on Bonds	(26,876)	-	(26,876)	(26,115)
Interest Paid	(45,544)	-	(45,544)	(46,305)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(175,894)</u>	<u>(6,188)</u>	<u>(182,082)</u>	<u>(97,663)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers	36,758	(36,758)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>36,758</u>	<u>(36,758)</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	77,443	136,336	213,779	(199,103)
Cash at Beginning of Year	239,328	129,943	369,271	568,374
Cash at End of Year	<u>\$ 316,771</u>	<u>\$ 266,279</u>	<u>\$ 583,050</u>	<u>\$ 369,271</u>
Reconciliation of Operating Income (Loss) to net cash provided by Operating Activities:				
Operating Income (Loss)	\$ 64,871	\$ 21,213	\$ 86,084	\$ 36,146
Adjustments to Reconcile Operating Income (Loss) to net cash flows from Operating Activities:				
Noncash items included in Operating Income:				
Depreciation	138,576	43,916	182,492	173,429
Amortization	-	1,247	1,247	1,247
Changes in Assets and Liabilities:				
Accounts Receivable	(856)	(367)	(1,223)	(8,088)
Prepaid Expenses	473	473	946	(1,298)
Trade Accounts Payable	7,016	(52)	6,964	1,566
Accrued Payroll	762	2,749	3,511	
Customer Deposits	1,701	729	2,430	(248)
Net Cash Provided by Operating Activities	<u>\$ 212,543</u>	<u>\$ 69,908</u>	<u>\$ 282,451</u>	<u>\$ 202,754</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:				
Cash and Cash Equivalents - Unrestricted	\$ 85,458	\$ 69,876	\$ 155,334	\$ 70,689
Cash and Cash Equivalents - Restricted	231,313	196,403	427,716	298,582
Cash and Cash Equivalents	<u>\$ 316,771</u>	<u>\$ 266,279</u>	<u>\$ 583,050</u>	<u>\$ 369,271</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, 2020

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, 2020

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, 2020.

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, 2020

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, 2020.

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 recoded 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 November 1, 2021, the date 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	\$ 238,569	\$ 333,576
Improvement Project Fund account	37,099	39,202
USDA Revenue Bond and Reserve accounts	93,698	-
Total	<u>\$ 369,366</u>	<u>\$ 372,778</u>

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3: INVESTMENTS:

Investments authorized at December 31, 2020 by the District's investment policy:

Type of Investments	Measurement Input	Fair Value	Maturity			
			12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
U.S. Treasury obligations	Level 2	\$ 157,653	\$ -	\$ 118	\$ 440	\$ 157,095
Non-negotiable certificates of deposit	Level 2	342,062	101,407	142,323	98,332	-
Total Investments		\$ 499,715	\$ 101,407	\$ 142,441	\$ 98,772	\$ 157,095

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, 2020, are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated				
Buildings and System Improvements	\$ 7,782,080	\$ 97,692	\$ -	\$ 7,879,772
Furniture, Fixtures and Equipment	645,320	6,201	-	651,521
Total Capital Assets Being Depreciated	8,427,400	103,893	-	8,531,293

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

<i>(Continued)</i>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Accumulated Depreciation				
Buildings and System Improvements	(2,871,597)	(173,120)	-	(3,044,717)
Furniture, Fixtures and Equipment	(377,764)	(9,372)	-	(387,136)
Total Accumulated Depreciation	<u>(3,249,361)</u>	<u>(182,492)</u>	<u>-</u>	<u>(3,431,853)</u>
Total Capital Assets Being Depreciated, Net	5,178,039	(78,599)	-	5,099,440
Construction in Progress	113,488	186,007	-	299,495
Total Net Capital Assets	<u>\$ 5,291,527</u>	<u>\$ 107,408</u>	<u>\$ -</u>	<u>\$ 5,398,935</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, 2020 was \$1,278,330. 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, 2020 was \$291,234. Final scheduled payment is January 2055.

Debt service requirements at December 31, 2020 are as follows:

USDA 2015A				
<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2021	\$ 58,932	\$ 36,458	\$ 22,474	\$ 1,255,856
2022	58,932	35,803	23,129	1,232,727
2023	58,932	35,129	23,803	1,208,924
2024	58,932	34,436	24,496	1,184,428
2025	58,932	33,722	25,210	1,159,218
2026-2030	294,660	157,156	137,504	1,021,714
2031-2035	294,660	135,925	158,735	862,979
2036-2040	294,660	111,418	183,242	679,737
2041-2045	294,660	83,129	211,531	468,206
2046-2050	294,660	50,466	244,194	224,012
2051-2055	237,506	13,494	224,012	-
Total	<u>\$ 2,005,466</u>	<u>\$ 727,136</u>	<u>\$ 1,278,330</u>	

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

USDA 2015B

<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2021	13,488	8,305	5,183	286,051
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
2026-2030	67,440	35,731	31,709	232,056
2031-2035	67,440	30,834	36,606	195,450
2036-2040	67,440	25,181	42,259	153,191
2041-2045	67,440	18,657	48,783	104,408
2046-2050	67,440	11,125	56,315	48,093
2051-2055	50,802	2,709	48,093	-
Total	<u>\$ 455,442</u>	<u>\$ 164,208</u>	<u>\$ 291,234</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, 2020 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, 2020 is \$17,747.

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, 2020 is \$75,951.

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 \$181,405.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020.

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, 2020 is \$30,369.

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, 2020, 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 2020, the District contracted with several companies for various types of insurance coverage as follows:

Insurer and Risk Covered	Amount of Insurance	Expiration Date
<u>MACO</u>		
Commercial Auto:		
-Liability	\$750,000 per claim / \$1,500,000 per occurrence	7/1/22
-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, 2020

<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	7/1/22
<u>State of Montana</u>		
Workers' Compensation	\$100,000	7/1/22
<u>Redland Insurance Company</u>		
Flood insurance	\$160,700	5/9/22

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, 2020 and 2019 totaled \$3,828 and \$2,669, 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, 2019 from which the summarized information was derived.



Douglas WILSON
and Company, PC

Randal J. Boysun, CPA
Gerard K. Schmitz, CPA
Myra L. Bakke, CPA
Melissa H. Soldano, CPA

Bruce H. Gaare, CPA

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

**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, 2020, 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 November 1, 2021.

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.

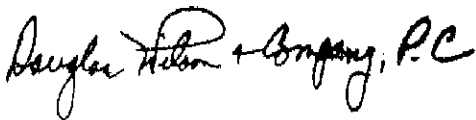
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during 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.



Great Falls, Montana
November 1, 2021