



Douglas **WILSON**
and Company, PC

Randal J. Boysun, CPA
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Melissa H. Soldano, CPA

Bruce H. Gaare, CPA

September 16, 2020

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

We have audited the financial statements of the business-type activities and each major fund of Sun Prairie Village County Water and Sewer District for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sun Prairie Village County Water and Sewer District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Sun Prairie Village County Water and Sewer District's financial statements was:

- Management's estimate of the allowance for doubtful accounts is based on historical water and sewer revenues, historical loss levels, and an analysis of the collectability of individual accounts. Management's estimate of the depreciation of fixed assets is based on the estimated useful life of an asset. We evaluated the key factors and assumptions used to develop the allowance and depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the

To the Board of Directors
Sun Prairie Village County Water and Sewer District
September 16, 2020
Page 3

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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory section, which accompany the financial statements but are not RSI. Such information 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.

This information is intended solely for the use of the Board of Directors and management of Sun Prairie Village County Water and Sewer District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Douglas Wilson & Company, P.C." The signature is written in dark ink and is positioned above the printed name of the firm.

DOUGLAS WILSON & COMPANY, P.C

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

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 2019

Our reports are issued with the understanding that, without our consent, they may be reproduced only in their entirety. Should it be desired to issue or publish a condensation or a portion of this report and our name is to be used in connection therewith, our approval must first be secured.

Douglas Wilson & Company, P.C.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

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**Sun Prairie Village
County Water & Sewer District**
1047 Grant Drive
Great Falls, MT 59404
(406) 965-3944

LETTER OF TRANSMITTAL

September 16, 2020

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 Comprehensive Annual Financial Report of the Sun Prairie Village County Water and Sewer District, Great Falls, Montana for the year ended December 31, 2019. 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, 2019

<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
Sharon Crachy	Member	4 Years	5/31/2023
Richard Matiska	Member	4 Years	5/31/2022

Administrative Officials

Janet Fulmer General Manager



Douglas WILSON
and Company, PC

INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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, 2018 financial statements, and in our report dated July 22, 2019, 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.

Opinions

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, 2019, 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 September 16, 2020, 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
September 16, 2020

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. 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 \$561,846 for calendar year 2019. This was an increase of 3.6% from the prior year.

Total operating expenses before depreciation and amortization were \$351,023 in calendar year 2019, a decrease of 1.7% from the prior year.

Total net position as of December 31, 2019 was \$4,733,725, an increase of \$16,826 from total net assets as December 31, 2018.

Total capital assets (net of depreciation) were \$5,291,527 as of December 31, 2019, a decrease of \$133,186 or 2.5% less than December 31, 2018. The additions to capital assets in 2019 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, 2019

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, 2019 was \$4,733,725, an increase of \$16,826 or .4% from December 31, 2018 (See Table A-1). Total assets decreased \$7,971 or .1% and total liabilities decreased \$24,797 or 1.5%.

TABLE A-1
SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT
NET POSITION
AS OF DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>	<u>% Change</u>	<u>2017</u>	<u>% Change</u>
Current Assets	\$ 372,801	\$ 365,486	2.0%	\$ 370,090	-1.2%
Restricted Assets	659,837	540,690	22.0%	508,652	6.3%
Capital Assets	5,291,527	5,424,713	-2.5%	5,533,750	-2.0%
Other Assets	15,374	16,621	-7.5%	17,868	-7.0%
Total Assets	<u>\$ 6,339,539</u>	<u>\$ 6,347,510</u>	-0.1%	<u>\$ 6,430,360</u>	-1.3%
Total Liabilities	<u>\$ 1,605,814</u>	<u>\$ 1,630,611</u>	-1.5%	<u>\$ 1,682,167</u>	-3.1%
Net Position:					
Net Investment in Capital Assets	\$ 3,695,087	\$ 3,802,158	-2.8%	\$ 3,885,819	-2.2%
Restricted	659,837	540,690	22.0%	508,652	6.3%
Unrestricted	378,801	374,051	1.3%	353,722	5.7%
Total Net Position	<u>\$ 4,733,725</u>	<u>\$ 4,716,899</u>	0.4%	<u>\$ 4,748,193</u>	-0.7%

The largest portion of the Sun Prairie Village County Water and Sewer District's total assets at December 31, 2019, \$5,291,527 of \$6,339,539 (83%), 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, 2019 and 2018, 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, 2019

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, 2019

	<u>2019</u>	<u>2018</u>	<u>% Change</u>	<u>2017</u>	<u>% Change</u>
Operating Revenues					
User Fees	\$ 535,031	\$ 538,568	-0.7%	\$ 561,006	-4.0%
Connection Fees	14,285	3,350	326.4%	4,871	-31.2%
Other Income	12,530	561	2133.5%	1,519	-63.1%
Total Operating Revenues	<u>561,846</u>	<u>542,479</u>	3.6%	<u>567,396</u>	-4.4%
Operating Expenses					
Total Operating Expenses Before					
Depreciation and Amortization	351,023	357,216	-1.7%	360,044	-0.8%
Depreciation and Amortization	<u>174,677</u>	<u>174,615</u>	0.0%	<u>174,061</u>	3.1%
Total Operating Expenses Including					
Depreciation and Amortization	<u>525,700</u>	<u>531,831</u>	-1.2%	<u>534,105</u>	-0.4%
Operating Gain (Loss)	36,146	10,648	239.5%	33,291	-68.0%
Non-operating Revenues and Capital					
Contributions net of Non-operating Expenses	<u>(19,320)</u>	<u>(41,942)</u>	-53.9%	<u>(13,778)</u>	-204.4%
Change in Net Position	16,826	(31,294)	153.8%	19,513	-260.3%
Total Net Position, Beginning	<u>4,716,899</u>	<u>4,748,193</u>	-0.7%	<u>4,728,680</u>	-0.4%
Total Net Position, Ending	<u>\$ 4,733,725</u>	<u>\$ 4,716,899</u>	0.4%	<u>\$ 4,748,193</u>	-0.7%

Operating Revenues - Operating revenues are composed of user fees and connection fees. Operating revenues increased \$19,367 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 \$9,132 or 5.8% over 2018.

Other Operating Costs - Other operating costs include depreciation, repairs, maintenance, parts, materials and supplies, insurance, utilities, vehicle operations, and other expenses. Other operating costs decreased \$15,263 or 4.1% compared to 2018.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Capital Assets - As of December 31, 2019, 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, 2019 totaled \$5,291,527 (See Table A-3). This amount represents a net decrease of \$133,186 from December 31, 2018, 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, 2019**

	<u>2019</u>	<u>2018</u>	<u>% Change</u>	<u>2017</u>	<u>% Change</u>
Building and Improvements	\$ 7,782,080	\$ 7,762,892	0.2%	\$ 7,762,892	0.0%
Equipment	645,320	627,067	2.9%	615,979	1.8%
Construction in Progress	113,488	110,686	2.5%	64,422	71.8%
Accumulated Depreciation	(3,249,361)	(3,075,932)	5.6%	(2,909,543)	5.7%
Total Net Capital Assets	<u>\$ 5,291,527</u>	<u>\$ 5,424,713</u>	-2.5%	<u>\$ 5,533,750</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, 2019, Sun Village County Water and Sewer District had bonds outstanding to the USDA that totaled \$1,596,440. At December 31, 2018, Sun Village County Water and Sewer District had bonds outstanding to the USDA that totaled \$1,622,555.

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.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019
(WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2018)

	Water Fund	Sewer Fund	Total	
			2019	2018
ASSETS				
Current:				
Cash and Cash Equivalents	\$ 45,198	\$ 25,491	\$ 70,689	\$ 200,905
Investments	131,175	121,787	252,962	124,817
Accounts Receivable	40,670	17,430	58,100	50,012
Allowance for Uncollectible Accounts Receivable	(10,800)	(7,200)	(18,000)	(18,000)
Prepaid Expenses	6,218	2,832	9,050	7,752
Total Current Assets	<u>212,461</u>	<u>160,340</u>	<u>372,801</u>	<u>365,486</u>
Restricted:				
Cash and Cash Equivalents	194,130	104,452	298,582	367,469
Investments	113,135	248,120	361,255	173,221
Total Restricted Assets	<u>307,265</u>	<u>352,572</u>	<u>659,837</u>	<u>540,690</u>
Capital Assets:				
Capital Assets being Depreciated, net	4,693,934	484,105	5,178,039	5,314,027
Construction in Progress	-	113,488	113,488	110,686
Total Capital Assets	<u>4,693,934</u>	<u>597,593</u>	<u>5,291,527</u>	<u>5,424,713</u>
Other Assets:				
Loan Fees	6,000	17,520	23,520	23,520
Capitalized Interest	-	49,864	49,864	49,864
	<u>6,000</u>	<u>67,384</u>	<u>73,384</u>	<u>73,384</u>
Less: Accumulated Amortization	(6,000)	(52,010)	(58,010)	(56,763)
Total Other Assets	<u>-</u>	<u>15,374</u>	<u>15,374</u>	<u>16,621</u>
Total Assets	<u>5,213,660</u>	<u>1,125,879</u>	<u>6,339,539</u>	<u>6,347,510</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	2,606	1,124	3,730	2,164
Customer Deposits	3,951	1,693	5,644	5,892
Current Portion of Bonds Payable	26,874	-	26,874	26,114
Total Current Liabilities	<u>33,431</u>	<u>2,817</u>	<u>36,248</u>	<u>34,170</u>
Long Term Liabilities:				
Bonds Payable, Net of Current Portion	1,569,566	-	1,569,566	1,596,441
Total Long Term Liabilities	<u>1,569,566</u>	<u>-</u>	<u>1,569,566</u>	<u>1,596,441</u>
Total Liabilities	<u>1,602,997</u>	<u>2,817</u>	<u>1,605,814</u>	<u>1,630,611</u>
NET POSITION				
Net Investment in Capital Assets	3,097,494	597,593	3,695,087	3,802,158
Restricted	307,265	352,572	659,837	540,690
Unrestricted	205,904	172,897	378,801	374,051
Total Net Position	<u>\$ 3,610,663</u>	<u>\$ 1,123,062</u>	<u>\$ 4,733,725</u>	<u>\$ 4,716,899</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, 2019
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	Water Fund	Sewer Fund	Total	
			2019	2018
Revenue:				
User Fees	\$ 373,031	\$ 162,000	\$ 535,031	\$ 538,568
Connection and Convenience Fees	10,949	3,336	14,285	3,350
Other Income	6,533	5,997	12,530	561
Total Revenue	<u>390,513</u>	<u>171,333</u>	<u>561,846</u>	<u>542,479</u>
Expenses:				
Salaries	70,528	70,528	141,056	128,864
Payroll Taxes and Insurance	7,835	7,834	15,669	21,915
Retirement	1,335	1,334	2,669	2,621
Cafeteria Contribution Expense	4,000	4,000	8,000	4,862
Depreciation and Amortization	131,570	43,107	174,677	174,615
Chemical Supplies	28,626	-	28,626	26,195
Laboratory Testing and Supplies	3,381	5,802	9,183	6,243
Contract Labor	25,496	5,666	31,162	31,111
Professional Fees	4,755	4,755	9,510	9,675
Repairs and Maintenance	5,768	2,028	7,796	26,585
Vehicle Operations	2,954	5,007	7,961	8,950
Utilities	41,806	13,628	55,434	58,445
Office	6,259	4,581	10,840	10,679
Insurance	8,439	8,362	16,801	14,065
Miscellaneous	3,344	2,972	6,316	7,006
Total Operating Expenses	<u>346,096</u>	<u>179,604</u>	<u>525,700</u>	<u>531,831</u>
Operating Income (Loss)	<u>44,417</u>	<u>(8,271)</u>	<u>36,146</u>	<u>10,648</u>
Non-Operating Revenues and (Expenses):				
Interest Income	6,601	4,906	11,507	7,650
Interest Expense	(46,305)	-	(46,305)	(47,044)
Net Increase (Decrease) in the Fair Value of Investments	191	287	478	(2,548)
Total Non-Operating Revenue (Expenses), Net	<u>(39,513)</u>	<u>5,193</u>	<u>(34,320)</u>	<u>(41,942)</u>
Capital Contributions	-	15,000	15,000	-
Transfers	<u>(2,410)</u>	<u>2,410</u>	<u>-</u>	<u>-</u>
Change in Net Position	2,494	14,332	16,826	(31,294)
Net Position, Beginning of Year	<u>3,608,169</u>	<u>1,108,730</u>	<u>4,716,899</u>	<u>4,748,193</u>
Net Position, End of Year	<u>\$ 3,610,663</u>	<u>\$ 1,123,062</u>	<u>\$ 4,733,725</u>	<u>\$ 4,716,899</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, 2019
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018)

	Water Fund	Sewer Fund	Total	
			2019	2018
Cash Flows from Operating Activities:				
Cash Receipts from Customers	\$ 383,895	\$ 138,080	\$ 521,975	\$ 542,860
Cash Receipts from Other Sources	172	10	182	561
Cash Paid for Goods and Services	(130,724)	(52,749)	(183,473)	(220,890)
Cash Paid for Employees	(81,904)	(54,026)	(135,930)	(159,812)
Net Cash Provided by Operating Activities	<u>171,439</u>	<u>31,315</u>	<u>202,754</u>	<u>162,719</u>
Cash Flows from Investing Activities:				
Purchase of Investments	(242,381)	(594,031)	(836,412)	(110,000)
Investments Sold and Matured	50,000	470,711	520,711	75,170
Investment Earnings	6,601	4,906	11,507	7,650
Net Cash Provided (Used) by Investing Activities	<u>(185,780)</u>	<u>(118,414)</u>	<u>(304,194)</u>	<u>(27,180)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of Capital Assets	(17,612)	(22,631)	(40,243)	(18,067)
Capital Contributions	-	15,000	15,000	-
Principal Paid on Bonds	(26,115)	-	(26,115)	(25,376)
Interest Paid	(46,305)	-	(46,305)	(47,044)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(90,032)</u>	<u>(7,631)</u>	<u>(97,663)</u>	<u>(90,487)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers	(2,410)	2,410	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,410)</u>	<u>2,410</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(106,783)	(92,320)	(199,103)	45,052
Cash at Beginning of Year	<u>346,111</u>	<u>222,263</u>	<u>568,374</u>	<u>523,322</u>
Cash at End of Year	<u>\$ 239,328</u>	<u>\$ 129,943</u>	<u>\$ 369,271</u>	<u>\$ 568,374</u>
Reconciliation of Operating Income (Loss) to net cash provided by Operating Activities:				
Operating Income (Loss)	\$ 44,417	\$ (8,271)	\$ 36,146	\$ 10,648
Adjustments to Reconcile Operating Income (Loss) to net cash flows from Operating Activities:				
Noncash items included in Operating Income:				
Depreciation	131,570	41,859	173,429	173,368
Amortization	-	1,247	1,247	1,247
Changes in Assets and Liabilities:				
Accounts Receivable	(5,662)	(2,426)	(8,088)	3,676
Prepaid Expenses	(611)	(687)	(1,298)	(40)
Trade Accounts Payable	1,898	(332)	1,566	(25,791)
Customer Deposits	(173)	(75)	(248)	(389)
Net Cash Provided by Operating Activities	<u>\$ 171,439</u>	<u>\$ 31,315</u>	<u>\$ 202,754</u>	<u>\$ 162,719</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets:				
Cash and Cash Equivalents - Unrestricted	\$ 45,198	\$ 25,491	\$ 70,689	\$ 200,905
Cash and Cash Equivalents - Restricted	<u>194,130</u>	<u>104,452</u>	<u>298,582</u>	<u>367,469</u>
Cash and Cash Equivalents	<u>\$ 239,328</u>	<u>\$ 129,943</u>	<u>\$ 369,271</u>	<u>\$ 568,374</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, 2019

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.

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).

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.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

- **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, 2019.

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.

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, 2019.

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.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

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	\$ 194,750	\$ 307,572
Improvement Project Fund account	37,099	45,000
USDA Revenue Bond and Reserve accounts	75,416	-
Total	<u>\$ 307,265</u>	<u>\$ 352,572</u>

NOTE 3: INVESTMENTS:

Investments authorized at December 31, 2019 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	\$ 62,080	\$ -	\$ 6	\$ 628	\$ 61,446
Non-negotiable certificates of deposit	Level 2	552,137	249,094	178,840	124,203	-
Total Investments		<u>\$ 614,217</u>	<u>\$ 249,094</u>	<u>\$ 178,846</u>	<u>\$ 124,831</u>	<u>\$ 61,446</u>

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.

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019 was \$1,300,169. 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, 2019 was \$296,271. Final scheduled payment is January 2055.

Debt service requirements at December 31, 2019 are as follows:

USDA 2015A

<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2020	\$ 58,932	\$ 37,094	\$ 21,838	\$ 1,278,331
2021	58,932	36,457	22,475	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
2025-2029	294,660	161,049	133,611	1,050,817
2030-2034	294,660	140,419	154,241	896,576
2035-2039	294,660	116,605	178,055	718,521
2040-2044	294,660	89,114	205,546	512,975
2045-2049	294,660	57,378	237,282	275,693
2050-2054	294,660	20,743	273,917	1,776
2055	1,780	4	1,776	-
Total	<u>\$ 2,064,400</u>	<u>\$ 764,231</u>	<u>\$ 1,300,169</u>	

USDA 2015B

<u>Year Ending December 31,</u>	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2020	13,488	8,452	5,036	296,271
2021	13,488	8,305	5,183	291,088
2022	13,488	8,154	5,334	285,754
2023	13,488	7,999	5,489	280,265
2024	13,488	7,674	5,814	274,451
2025-2029	67,440	36,628	30,812	243,639
2030-2034	67,440	31,871	35,569	208,070
2035-2039	67,440	26,377	41,063	167,007
2040-2044	67,440	20,038	47,402	119,605
2045-2049	67,440	12,719	54,721	64,884
2050-2054	67,440	4,278	63,162	1,722
2055	1,725	3	1,722	-
Total	<u>\$ 473,805</u>	<u>\$ 172,498</u>	<u>\$ 301,307</u>	

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019 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, 2019 is \$15,878.

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, 2019 is \$59,538.

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 \$141,917.

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, 2019.

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, 2019 is \$26,795.

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

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7: PREMISES CONNECTED TO SYSTEM:

On December 31, 2019, 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 2019, 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	7/1/20
-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	
Commercial Property:		
-Buildings	\$413,260	
-Personal Property	\$193,000	
Public Officials Bond	\$500,000	7/1/20
<u>State of Montana</u>		
Workers' Compensation	\$100,000	7/1/20
<u>Redland Insurance Company</u>		
Flood insurance	\$160,700	5/9/20

SUN PRAIRIE VILLAGE COUNTY WATER AND SEWER DISTRICT

GREAT FALLS, MONTANA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019 and 2018 totaled \$2,669 and \$2,621, 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, 2018 from which the summarized information was derived.



Douglas **WILSON**
and Company, PC

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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, 2019, 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 September 16, 2020.

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
September 16, 2020