

DRAFT DATE, 2021

Board of Directors
Gore Hill County Water District
4503 62nd Ave SW
Great Falls, MT 59404

We have audited the financial statements of Gore Hill County Water District for the years ended June 30, 2021 and 2020, and have issued our report thereon dated DRAFT DATE, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 13, 2021, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Gore Hill County Water District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our engagement letter dated July 13, 2021.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, and our firm, and have complied with all relevant ethical requirements regarding independence.

We applied safeguards to reduce independence threats to an acceptable level for the nonattest services we provided, as communicated in our engagement letter dated July 13, 2021.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Gore Hill County Water District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on 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 markedly from management's current judgements.

The most sensitive estimates affecting Gore Hill County Water District's financial statements are:

- Management's estimate of depreciation of fixed assets, which is based on the estimated useful life of an asset, and the estimate of allowance for uncollectible accounts receivable. We evaluated the key factors and assumptions used to develop the above mentioned estimates in determining the reasonableness of the estimate in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgements and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule of material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Gore Hill County Water District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated DRAFT DATE, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Gore Hill County Water District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Gore Hill County Water District's auditors.

Items noted as a result of the audit are listed below:

- During 2019-20, the District paid \$1,310 for their board to attend a convention that ended up being postponed due to COVID-19. The convention was originally postponed until a

date after June 30, 2020, and therefore, the fees paid represented a prepaid expense at June 30, 2020. During the 2020-21 fiscal year, these fees were refunded to Gore Hill, and were recorded as a credit to training expense. The refund of the fees should have been reduced the prepaid expense balance from June 30, 2020 down to zero. Management has corrected this error and the audited financial statements reflect this correction.

Other Matters

We applied certain limited procedures to the Management 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 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.

Auditing Standards Disclosures

In planning and performing our audit of the financial statements of Gore Hill County Water District as of and for the years ended June 30, 2021 and 2020, 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, we considered Gore Hill County Water District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

We consider finding number 2021-001 reported in the schedule of findings and responses for the year ended June 30, 2021 to be a material weakness.

Restriction on Use

This communication is intended solely for the information and use of management, the board of directors, or others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

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

DOUGLAS WILSON & COMPANY, P.C.

**Gore Hill County Water District
 Audit Adjustments
 6/30/2021**

Account #	Description	Debit	Credit
Material Audit Adjustment #1			
<i>To reduce the 6/30/20 grant receivable of \$14,544 for the July 2020 payment of that grant receivable</i>			
334120	TSEP Revenue	7,044.00	
334121	DNRC Grant	7,500.00	
122002	Grant Receivable		14,544.00
Total		14,544.00	14,544.00
Material Audit Adjustment #2			
<i>To record cost of capital asset additions</i>			
188000	Construction in Progress	42,735.00	
189100	Water System	1,508.00	
430501.100	SRF-Admin-Fund: Personnel		1,038.00
430501.351	SRF-Admin-Fund: Prof Fee		36,697.00
435010.230	GHWD-Other: Materials/Suppl		1,508.00
435010.231	GHWD-Other: Repair/Maint		5,000.00
Total		44,243.00	44,243.00
Material Audit Adjustment #3			
<i>To record 2020-21 depreciation expense</i>			
435010.830	GHWD-Other: Depreciation	66,646.00	
189110	Accumulated Depreciation		24,458.00
189210	Meters-Accumulated Depreciation		869.00
189310	Filtration System - Accumulated Depreciation		41,319.00
Total		66,646.00	66,646.00