



Douglas WILSON
and Company, PC

December 18, 2020

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

Bruce H. Gaare, CPA

Board of Directors
Gore Hill County Water District
P.O. Box 263
Great Falls, MT 59403

We have audited the financial statements of Gore Hill County Water District for the years ended June 30, 2020 and 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 August 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gore Hill County Water 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 2020. 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 estimates affecting Gore Hill County Water District's financial statements were:

- 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The adjustments, in the attached schedule, are considered material, in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 December 18, 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 Gore Hill County Water District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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. The District had originally expensed these fees on their books, so an adjustment was proposed as a part of the audit to correct this misstatement, and that correction is reflected in the audited financial statements.

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, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Gore Hill County Water District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

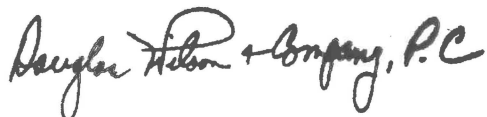
Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We consider finding number 2020-001 reported in the schedule of findings and recommendations for the year ended June 30, 2020 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,



DOUGLAS WILSON & COMPANY, P.C.

Gore Hill County Water District
Audit Adjustments
6/30/2020

Account #	Description	Debit	Credit
Audit Adjustment #1			
<i>To reclass negative customer balance to customer prepaid balance (deferred revenue)</i>			
122000	Accounts Receivable	3,229.00	
214001	Customer Prepaid Balances		3,229.00
Total		<u>3,229.00</u>	<u>3,229.00</u>
Audit Adjustment #2			
<i>To record grants receivable at 6/30/20</i>			
122002	Grant Receivable	14,544.00	
334120	TSEP Revenue		7,044.00
334121	DNRC Grant		7,500.00
Total		<u>14,544.00</u>	<u>14,544.00</u>
Audit Adjustment #3			
<i>To record construction in progress for costs of preliminary engineering report on new wells in 2019-20</i>			
188000	Construction in Progress	31,589.00	
435010.351	GHWD-Other: Prof Fees		31,589.00
Total		<u>31,589.00</u>	<u>31,589.00</u>
Audit Adjustment #4			
<i>To record prepaid expenses at 6/30/20 for convention fees paid for postponed convention</i>			
130000	Prepaid Expenses	1,310.00	
435010.380	GHWD-Other: Training		1,310.00
Total		<u>1,310.00</u>	<u>1,310.00</u>
Audit Adjustment #5			
<i>To record Water System fixed asset addition for drop pipe purchased for wells</i>			
189100	Water System	21,530.00	
435010.230	GHWD-Other: Materials/Suppl		21,530.00
Total		<u>21,530.00</u>	<u>21,530.00</u>
Audit Adjustment #6			
<i>To record 2019-20 Depreciation Expense</i>			
435010.830	GHWD-Other: Depreciation	65,694.00	
184100	Office Furn&Fix-Accum Dep		75.00
189110	Accumulated Depreciation		23,139.00
189210	Meters-Accumulated Depreciation		1,162.00
189310	Filtration System - Accumulated Depreciation		41,318.00
Total		<u>65,694.00</u>	<u>65,694.00</u>