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March 8, 2013

To the Board of Directors
Four Corners County Water and Sewer District

We have audited the financial statements of Four Corners County Water and Sewer District for the year ended June 30, 2012. 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 engagement letter to you dated July 15, 2009. 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 Four Corners 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 2012. We noted no transactions entered into by the District 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 your financial statements 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 disclosures in the financial statements 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 attached schedules summarize all material misstatements detected as a result of audit procedures that were corrected by management.

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 March 8, 2013.

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 District's financial statements or a determination of the type of auditors' 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 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.

The intent of the following information is to communicate to you other recommendations based on our observations during the audit. Summarized below are suggestions of importance that we believe warrant your attention.

Prior Year Observations and Recommendations

Observation: The District is currently receiving from Utility Solutions a monthly billing journal as well as a collections journal with each deposit.

Recommendation: The District should utilize these reports to record and track the accounts receivable balance for charges for services. This would also assist in tracking the amount owed to Utility Solutions based on the amounts collected rather than the amounts billed. We also recommend that on a periodic basis (monthly or quarterly) the District receive a copy of the Accounts Receivable Summary from Utility Solutions to tie to the balance on their books.

The District should also request an Aged Account Balance Detail on at least an annual basis to review accounts receivable amounts past due over 120 days.

Status: The District has made no changes in respect to tracking accounts receivable. See current year finding 2012-14 in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards*.

Prior Year Observations and Recommendations (continued)

Observation: The District is currently receiving a monthly report from Gallatin County regarding taxes levied and tax payments received.

Recommendation: The District should utilize this monthly report to record and track the taxes receivable balance at any given time during the year.

Status: The District has made no changes in respect to tracking taxes receivable. See current year finding 2012-15 in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards*.

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

Very truly yours,

Junkermier, Clark, Campanella, Stevens, P.C.

Bozeman, Montana

Four Corners County Water and Sewer District

Year End: June 30, 2012

Adjusting Journal Entries

Date: 7/1/2011 To 6/30/2012

Prepared by	Reviewed by	Reviewed by
HG 1/10/2013	MG 1/20/2013	

AJE

Number	Date	Name	Account No	Reference	Amount	Recurrence
1	6/30/2012	Accounts Receivable	1100	B-2	13,904.03	
1	6/30/2012	Water & Sewer User Charges	4080	B-2	(13,904.03)	
TO ADJUST UTILITY AR TO ACTUAL						
2	6/30/2012	Accounts Payable	2000	Q-1	36,325.23	
2	6/30/2012	Water&Sewer Operating Contract	6800	Q-1	(36,325.23)	
TO ADJUST AP FOR AMOUNTS OWED TO UTILITY SOLUTIONS FOR TAX LEVY						
3	6/30/2012	Taxes Receivable	1130		(52,579.15)	
3	6/30/2012	Protested Taxes Receivable	1140		669.66	
3	6/30/2012	Due from Other Government	1150		(19,561.24)	
3	6/30/2012	Gallatin County Tax Revenues	4010		81,863.44	
3	6/30/2012	Interest Income	4015		(10,392.71)	
TO ADJUST TAXES RECEIVABLE TO CONFIRM FROM COUNTY						
4	6/30/2012	Undeposited Funds	1090		7,818.37	
4	6/30/2012	Water & Sewer User Charges	4080		(7,818.37)	
TO RECORD AMOUNTS RECEIVED IN JUNE BUT NOT DEPOSITED UNTIL JULY						
5	6/30/2012	Water & Sewer User Charges	4080	B-5	(5,099.14)	
5	6/30/2012	Theft Loss	7500	B-5	5,099.14	
TO RECORD THEFT LOSS						
6	6/30/2012	Allowance for Doubtful Accounts	1110	B-2-2	(14,000.00)	
6	6/30/2012	Bad Debt	5105	B-2-2	14,000.00	
TO RECORD ALLOWANCE FOR DOUBTFUL ACCOUNTS ON UTILITY RECEIVABLES						
					0.00	

Net Income (Loss) 5,742.21