



RUDD & COMPANY^{INC.}

March 3, 2014

To the Board of Trustees and Management
of the Four Corners County Water & Sewer District

We have audited the financial statements of Four Corners County Water & Sewer District ("District") for the year ended June 30, 2013. 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 July 15, 2012. 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 the District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the District changed accounting policies related to its net position by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources and Net Position, in 2013. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Net Position. 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 District's financial statements was:

Management's estimate of the allowance for doubtful accounts is based on estimated collectability of accounts receivable for services. We evaluated the key factors and assumptions used to develop the estimated allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significant to the financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of commitments of the District in Note 4 to the financial statements. This Note describes the commitments to pay Utility Solutions for the contract covering water and sewer charges as well as the tax revenues owed to Utility Solutions for 2010 charges.

- The disclosure of the theft loss that occurred in the District in Note 8 to the financial statements. This Note outlines the fraud investigation completed by any outside accountant on behalf of the District.
- The disclosure of restatement of prior year net position in Notes 1 and 7 to the financial statements. These Notes outline the restatement to net position as of June 30, 2012.

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

Difficulties Encountered in Performing the Audit

The completion of our audit was delayed due to the time it took to obtain the fraud investigation report performed by a specialist.

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. The following material misstatements detected as a result of audit procedures are included in the attached schedule of proposed audit adjustments.

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 3, 2014.

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.

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

Sincerely,

Rudd & Company, PLLC

Rudd & Company, *PLLC*

**Four Corners County Water and Sewer District
Summary of Proposed Adjustments
For the Year Ended June 30, 2013**

AJE #	Account	Debit	Credit
1	3100 Net Position	20,323	
	1120 A/R on file before detail		20,323
	<i>To remove duplicate AR adjustment posted in 2013 to prior year net position</i>		
2	7500 Theft loss	3,480	
	4080 Water and Sewer User Charges		3,480
	<i>To record theft loss</i>		
3	5100 Bad Debt Expense	2,231	
	1110 Allowance for Doubtful Accounts		2,231
	<i>To record current year bad debt</i>		
4	7150 Property Tax Income	8,471	
	7100 Interest Income		8,471
	<i>To properly classify interest income</i>		
5	1160 Unbilled Revenue	20,590	
	3100 Net Position		20,590
6	4080 Water and Sewer User Charges	20,590	
	1160 Unbilled Revenue		20,590
	<i>To record FY 2012 unbilled services</i>		
7	1160 Unbilled Revenue	27,498	
	4080 Water and Sewer User Charges		27,498
	<i>To record current year unbilled services</i>		
8	3100 Net Position	6,723	
	2100 Accrued Liability		6,723
9	2010 Accrued Liability	6,723	
	6140 Engineering		6,723
	<i>To adjust for engineering expense incurred in FY 2012</i>		
10	3100 Net Position	36,738	
	2000 Accounts Payable		36,738
11	2000 Accounts Payable	36,738	
	6801 Monthly Water & Sewer Use		36,738
	<i>To adjust for Utility Solution expense incurred in FY 2012</i>		

**Four Corners County Water and Sewer District
Summary of Proposed Adjustments (continued)
For the Year Ended June 30, 2013**

AJE #	Account	Debit	Credit
12	7150 Property Tax Income	45,684	
	113.5 2012 Taxes Receivable	24,421	
	115.0 Due from other governments	15,703	
	113.1 2008 Taxes Receivable		588
	113.2 2010 Taxes Receivable		19,928
	113.3 2011 Taxes Receivable		64,622
	113.4 Protested Taxes Receivable		670
	<i>To tie to County Treasurers report</i>		
13	6801 Monthly Water & Sewer Use	52,490	
	2000 Accounts Payable		52,490
	<i>To record current accounts payable balance at actual</i>		
14	6802 Water & Sewer Operating Contract	719,214	
	6801 Monthly Water & Sewer Use		719,214
	<i>To reclass expenses to correct expense account for U.S. payable</i>		
15	2001 Contract Payable	670,475	
	3100 Net Position		670,475
	<i>To record prior year taxes payable at actual</i>		
16	6802 Water & Sewer Operating Contract	670,475	
	2001 Contract Payable		670,475
	<i>To reverse prior year taxes payable</i>		
17	2001 Contract Payable	726,282	
	6802 Water & Sewer Operating Contract		726,282
	<i>To record taxes payable at year end</i>		