

Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

To the Board of Directors
and Management of the Upper Yampa Water Conservancy District

In planning and performing our audit of the financial statements of the Upper Yampa Water Conservancy District as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Upper Yampa Water Conservancy District's internal control over financial reporting (internal control) as a basis for designing 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 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the Upper Yampa Water Conservancy District's internal control to be significant deficiencies:

Due to the size of the District's finance staff it is not possible to have full review of the accounting function on a day to day basis. This may lead to inaccurate accounting or reporting. Due to this level of staffing, which is common in an organization this size, the District Manager and board function as the secondary reviewers and therefore need to ensure that they understand the accounting process adequately in order to serve in that capacity.

Recognizing that the District's finance staff, management, and board have limited experience in the preparation of financial statements, management is still required to understand the financial reporting requirements sufficiently to take responsibility for the information contained in the basic financial statements. Lack of sufficient knowledge in this area can lead to inaccurate reporting.

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

Mayberry & Company, LLC

Englewood, Colorado
June 5, 2020

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June 5, 2020

To the Board of Directors and Management of the
Upper Yampa Water Conservancy District

We have audited the financial statements of the Upper Yampa Water Conservancy 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 February 6, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Upper Yampa Water Conservancy 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 Upper Yampa Water Conservancy 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 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 financial statements was:

Management's estimate of the allowance for depreciation is based on the expected remaining useful lives of the underlying capital assets. We evaluated the key factors and assumptions used to develop the depreciation 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 significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of restricted net position and other commitments disclosed in Notes 6 and 7 to the financial statements and how those restrictions and commitments may impact future equity balances.

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. The adjustments posted were related to a slight difference in carryover between the District's accounting records and prior audits, the expensing of noncapitalizable expenses related to the new office, the recording of a capital asset deletion and the recording of property tax receivable and a related deferred inflow. The property tax receivable and deferred inflow was presented in prior audits but were not reported in the District's accounting records. 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 June 5, 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 Upper Yampa Water Conservancy District'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 Upper Yampa Water Conservancy 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.

Capital Assets - Based on our review of the District's financial records, we recommend that the tracking of capital assets between the balance sheet and depreciation schedule be simplified to remove some duplication of effort and possibly facilitate easier budget management. Management had already recognized the need for simplification in this area. We are working with staff to provide background related to processes that we have seen implemented with other governments and how they can possibly be applied at the District while still meeting all internal monitoring expectations. We anticipate that these discussions will continue even after report delivery in an effort to streamline this area for future reporting and budgeting.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Upper Yampa Water Conservancy District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Mayberry + Company, LLC