



January 15, 2014

To the Board of County Commissioners
Elbert County
Kiowa, CO

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elbert County as of and for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, 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 January 16, 2013. 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 Elbert County are described in Note 2 to the financial statements. As described in Note 14 the County implemented GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. No other new accounting policies were adopted and the application of existing policies was not changed during 2012. 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 financial statements was:

Management's estimate of the valuation of water rights that are based on studies performed in prior years and an estimate of the value at the time of contribution. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole. There were no new water rights obtained in 2012 or changes in the valuation of the water rights from the 2011 valuation.

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

Cash and Investments in Note 3, Capital Assets in Note 4, Long Term Debt Obligations in Note 5, Net Position in Note 6, Commitments and Contingencies in Note 9, Financial Statement Restatement in Note 13 and Subsequent Events in Note 15.

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

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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 material misstatements as follows:

Corrected Misstatements and Audit Journal Entries

The following material misstatements detected as a result of audit procedures were corrected by management that also include prior period adjustments that affected the General fund and the Road and Bridge fund and the Government Wide financial statements as summarized below:

As discussed in Note 13 to the financial statements, the County has restated beginning fund balances for the General Fund and the government wide statement of activities in the amount of \$186,614 (increase) for the insurance escrow and property tax revenues, the Road and Bridge Fund and government wide statement of activities in the amount of \$36,875 (decrease) for property tax revenues, and the government wide statement of net position in the amount of \$1,611,310 (decrease) for insurance escrow, capital assets/lease debt, construction in progress and property tax revenues, to correct errors made in previous years.

Material audit journal entries proposed by EB and corrected by the County were as follows:

- Sales and Use tax fund for \$77,564 to increase revenues and accounts receivable for recognition of November and December sales tax collections.

In addition, the following summarizes uncorrected misstatements of the financial statements, for which management has determined that their effects are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole.

Chaparral Valley Fund (non-major fund)

Overstatement of Assessments Receivable	\$4,219
Overstatement of Assessments Payable	4,219

The effect of prior year reversals of uncorrected misstatements that were corrected in 2012 due to new information related to the personnel legal settlement that resulted in an increase in the long term debt liability in the Government Wide financial statements for the remaining balance of \$95,000. The prior year's amounts were paid by the Road and Bridge fund and the expenses flowed through to the government wide statement of activities, therefore no additional reduction in net position was required.

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 January 15, 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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of County Commissioners and management of Elbert County and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in dark ink and is positioned above the printed name of the firm.

Greenwood Village, CO