



July 28, 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 for the year ended December 31, 2013. 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 22, 2014. 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. In 2013, the County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* resulting in the write off of bond issuance costs in the amount of \$274, 659, which reduced the January 1, 2013 beginning net position on the government wide statement of activities. Management also reviewed GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and determined the Contingency special revenue fund no longer meet the criteria of a special revenue fund and closed this fund to the General Fund as of January 1, 2013 in the amount of \$18,202. No other new accounting policies were adopted and the application of existing policies was not changed during 2013. 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 County's financial statements is:

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 these valuation estimates in determining that they are reasonable in relation to the financial statements taken as a whole. There were no new water rights obtained in 2013 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 Obligations in Note 5, Net Position in Note 6, Commitments and Contingencies in Note 9, Financial Statement Restatements in Note 13, and Subsequent Events in Note 14.

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 material misstatements as follows:

#### Corrected Misstatements and Audit Journal Entries

The following material misstatements detected as a result of audit procedures affected the Human Services fund as summarized below:

- Overstatement of revenues and understatement of liabilities related to the duplicate payroll that was reimbursed by the state in the amount of approximately \$68,000. This amount will be returned and remitted to the State in 2014.

#### Restatements

The following restatements occurred due to the implementation or re-evaluation of new/existing governmental accounting standards:

- As discussed in Note 13 to the financial statements, the County has restated the beginning General Fund and Contingency Fund, fund balances by increasing the General Fund and closing out the Contingency Fund in the amount of \$18,202.
- As discussed in Note 13 to the financial statements, the County implemented GASB 65 that required bond issuance costs in the amount of \$274,659 to be written off thereby decreasing beginning net position in the governmental activities statement of activities.

In addition, the following summarizes the reversal for the prior year 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)

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

### **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 July 28, 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.

Regards,

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Greenwood Village, CO