



---

**Dazzo & Associates, PC**

---

Certified Public Accountants

March 24, 2023

To the Board of Trustees  
Town of Grand Lake, Colorado  
Grand County, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, each major fund of the Town of Grand Lake, Colorado (the Town) for the year ended December 31, 2022. 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 November 4, 2022. 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 the Town are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Town 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(s) affecting the Town's financial statements were:

Management's estimate of depreciation expense is based on the estimated useful lives of the Town's capital assets ranging from 40 to 75 years for buildings and infrastructure systems to 5 to 7 years for vehicles, machinery and equipment. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

### **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.

### **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, which 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 24, 2023.

### **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 [Name of 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 Town'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

We applied certain limited procedures to Management’s Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

Additionally, we present the following comments.

### Property Taxes

Each year, the Colorado Department of Local Affairs (DOLA) calculates a Statutory Property Tax Revenue Limitation (The “5.5%” Limit), in accordance with 29-1-301, C.R.S. This amount is used by local governments to ensure they are not levying property taxes in excess of what is allowed by Statute.

During our audit, we observed the Town is not levying the maximum amount of property taxes as calculated by DOLA. While we understand this is a deliberate choice to maintain local property taxes at a low level, we believe it is our responsibility to report the financial impact. The table below illustrates the impact:

	2019	2020	2021	2022	2023
Property Tax Limit	\$ 401,139	\$ 403,901	\$ 428,854	\$ 457,336	\$ 490,007
Town Actual Levy	274,748	333,374	333,650	402,753	396,582
Difference	<u>\$ 126,391</u>	<u>\$ 70,527</u>	<u>\$ 95,204</u>	<u>\$ 54,583</u>	<u>\$ 93,425</u>

## **Information Technology Review**

For this year's audit, we contracted with Colorado Consulting Group, Inc. (CCG) to perform a review assessing the controls in place for information systems and identifying potential risks to the Town should a system, application or practice lack industry standard controls. Some potential risks important to us as auditors would be compromised data integrity, loss of data and systems, unauthorized access or use of data and systems, diminished system management/ownership, financial risk, and exposure of confidential information. The review was limited and was geared toward the audit and is not a substitute for detailed security audits or other in-depth technical reviews the Town may choose to undertake.

In summary, CCG concluded controls in place are working well but had recommendations involving the following:

- Increasing the physical security of hardware.
- Implementing practices and policies to manage & secure data associated with email use.
- Improving contract documentation with Executech to further define the services and support that Executech provides.
- Discussing with Executech a documented plan for recovery of the information technology system in the event of a natural disaster or cyberattack.

## **Restriction on Use**

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

## **Conclusion**

We would like to thank John Crone, Town Manager, Heike Wilson, Town Treasurer, Alayna Carrell, Town Clerk, and all of the Town staff for their assistance in making the audit process efficient and enjoyable. They were very helpful and cooperative.

Very truly yours,

*Duggio & Associates, P.C.*