



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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June 3, 2022

**Board of County Commissioners
Routt County
P.O. Box 773598
Steamboat Springs, Colorado 80477-3598**

Dear Commissioners:

You have requested that we audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Routt County, Colorado (the "County") as of December 31, 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise County's basic financial statements as listed in the table of contents.

In addition, we will audit the County's compliance over major federal award programs for the year ended December 31, 2021. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the County's major federal award programs. The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS") and *Government Auditing Standards* issued by the Comptroller General of the United States of America will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

The objectives of our compliance audit are to obtain sufficient appropriate audit evidence to form an opinion and report at the level specified in the governmental audit requirement about whether the County complied in all material respects with the applicable compliance requirements and identify audit and reporting requirements specified in the governmental audit requirement that are supplementary to U.S. GAAS and *Government Auditing Standards*, if any, and perform procedures to address those requirements.

Accounting principles generally accepted in the United States of America, ("U.S. GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") require that supplementary information, such as management's discussion and analysis, to supplement the County's basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information ("RSI") in accordance with U.S. GAAS. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI.

Member: American Institute of Certified Public Accountants

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The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis

The following RSI is required by U.S. GAAP and will be subjected to the auditing procedures applied in our audit of the basic financial statements and we will provide an opinion on it in relation to the County's basic financial statements:

- Budgetary comparison schedules for the General Fund and major special revenue funds

We have also been engaged to report on supplementary information other than RSI that accompanies the County's financial statements, including the schedule required by the *Passenger Facility Charge Audit Guide for Public Agencies* (the "PFC Audit Guide"), issued by the Federal Aviation Administration. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS and will provide an opinion on it in relation to the financial statements as a whole:

- Combining statements of Net Position; Revenues, Expenditures, and Changes in Net Position; and Cash Flows – Non-major Enterprise Funds
- Budgetary comparison schedules – Enterprise Funds
- Combining statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows – Internal Service Funds
- Budgetary comparison schedules – Internal Service Funds
- Combining statements of Fiduciary Net Position and Changes in Fiduciary Net Position – Employee Retirement Plans
- Combining statements of Fiduciary Net Position and Changes in Fiduciary Net Position – Custodial Funds
- Local Highway Finance Report
- Schedule of Passenger Facility Charges Collected and Expended ("PFC Schedule")
- Schedule of Expenditures of Federal Awards ("SEFA")

Schedule of Expenditures of Federal Awards

We will subject the SEFA to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on whether the SEFA is presented fairly in all material respects in relation to the financial statements as a whole.

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, SEFA, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

Data Collection Form (continued)

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditor's reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audits in accordance U.S. GAAS, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and the PFC Audit Guide. As part of an audit of financial statements in accordance with U.S. GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards*. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the County's basic financial statements. Our report will be addressed to the Board of County Commissioners. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Audit of the Financial Statements (continued)

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of County's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended, and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether material noncompliance with applicable laws and regulations, the provisions of contracts and grant agreements applicable to major federal award programs, and the applicable compliance requirements occurred, whether due to fraud or error, and express an opinion on the County's compliance based on the audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the federal programs as a whole.

As part of a compliance audit in accordance with U.S. GAAS and *Governmental Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Our procedures will consist of determining major federal programs and, performing the applicable procedures described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the County's major programs, and performing such other procedures as we considers necessary in the circumstances. The purpose of those procedures will be to express an opinion on the County's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will obtain an understanding of the County's internal control over compliance relevant to the audit in order to design and perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the County's major federal award programs. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report. However, we will communicate to you, regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we have identified during the audit.

Audit of Major Program Compliance (continued)

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the County's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with U.S. GAAP;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal awards received and expended during the year and the federal programs under which they were received;
4. For maintaining records that adequately identify the source and application of funds for federally funded activities;
5. For preparing the SEFA (including notes and noncash assistance received) in accordance with the Uniform Guidance;
6. For designing, implementing, and maintaining effective internal control over federal awards that provides reasonable assurance that the County is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
7. For identifying and ensuring that the County complies with federal laws, statutes, regulations, rules, provisions of contracts or grant agreements, and the terms and conditions of federal award programs, and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
8. For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
9. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
10. For taking prompt action when instances of noncompliance are identified;
11. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
12. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
13. For submitting the reporting package and data collection form to the appropriate parties;
14. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance
15. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements including the disclosures, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit;
 - c. Unrestricted access to persons within the County from whom we determine it necessary to obtain audit evidence;
 - d. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and

Management's Responsibilities (continued)

- e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report.
16. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
 17. For acceptance of non-attest services, including identifying the proper party to oversee non-attest work;
 18. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
 19. For informing us of any known or suspected fraud affecting the County involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
 20. For the accuracy and completeness of all information provided;
 21. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
 22. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the SEFA referred to above, you acknowledge and understand your responsibility (a) for the preparation of the SEFA in accordance with the Uniform Guidance, (b) to provide us with the appropriate written representations regarding the SEFA, (c) to include our report on the s SEFA in any document that contains the SEFA and that indicates that we have reported on such schedule, and (d) to present the SEFA with the audited financial statements, or if the schedule will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the SEFA no later than the date of issuance by you of the schedule and our report thereon.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Non-attest Services

At the end of the year, we agree to perform the following:

- Propose adjusting or correcting journal entries to be reviewed and approved by the County's management.
- We may assist with preparation of the financial statements but the ultimate authority for review and preparation rests with you.

We will not assume management responsibilities on behalf of the County. However, we will provide advice and recommendations to assist management in performing its responsibilities.

Non-attest Services (continued)

Management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the non-attest services are as follows:

- We will perform the services in accordance with applicable professional standards, including GASB Standards.
- The non-attest services are limited to assistance with drafting of financial statements previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm may advise the County with regard to options regarding the presentation of financial statements, however the County must make all decisions with regard to those matters.

Engagement Administration

Michael Jenkins is the engagement partner and is responsible for supervising the engagement and signing the report. Additional firm personnel will be assigned to the engagement as considered necessary. We will begin our audit and issue our reports on a mutually agreed-upon date.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations, reconciliations, or work papers we request and will locate any documents selected by us for testing.

Our fee for these services will be based on our standard hourly rates, plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Consistent with the *Agreement Regarding Provision of Professional Services* dated February 2, 2021 (the "Agreement"), our gross fee for the 2021 audit engagement, including expenses, will not exceed \$43,750, provided there are no significant changes in the size and nature of the County's operations, or the state of the County's accounting records and controls. The fee estimate is also based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly.

Please note that our fee quotations represent all costs for completion of the audit of the County's financial statements; including all relevant telephone conferences or other such meetings as may be required to complete the audit and present the required reports within the agreed-upon time frame. It does not however, include account reconciliation or other requested financial statement work. If account reconciliation or other financial statement work is required, we will discuss the specific circumstances with you prior to performing such additional work.

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Engagement Administration (continued)

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

The audit documentation for this engagement is the property of McMahan and Associates, L.L.C. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the County's cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, or the United States Government Accountability Office, or peer reviewers for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. If requested, access to such audit documentation will be provided under the supervision of McMahan and Associates, L.L.C. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing. At the conclusion of our audit engagement, we will communicate to the Board of County Commissioners the following significant findings from the audit:

- Our view about the qualitative aspects of the County's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of Government Auditing Standards, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

Engagement Administration (continued)

The County's audit engagement is subject to the provisions of Workers without Authorization – Prohibition – Public Contracts for Services – Rules found at C.R.S. Section 8-17.5-101 *et seq.* By execution of this engagement letter, McMahan and Associates, L.L.C. certifies that it does not knowingly employ or contract with a worker without authorization who will perform work on this engagement and that McMahan and Associates, L.L.C. will participate in either the E-Verify Program or Department Program in order to confirm the eligibility of all employees who are newly hired for employment to perform work on this engagement.

- A. Specifically, McMahan and Associates, L.L.C. shall not:
 - 1. Knowingly employ or contract with a worker without authorization to perform work on this engagement; or
 - 2. Enter into a contract with a subcontractor that fails to certify to McMahan and Associates, L.L.C. that the subcontractor shall not knowingly employ or contract with a worker without authorization to perform work on this engagement.
- B. McMahan and Associates, L.L.C. has confirmed the employment eligibility of all employees who are newly hired for employment to perform work on this engagement through participation in either the E-Verify Program or Department Program.
- C. McMahan and Associates, L.L.C. shall not use either the E-Verify Program or Department Program to undertake pre-employment screening of job applicants while this engagement is in effect.
- D. If McMahan and Associates, L.L.C. obtains actual knowledge that any of its subcontractors performing work on this engagement knowingly employs or contracts with a worker without authorization, McMahan and Associates, L.L.C. shall:
 - 1. Notify the subcontractor and the County, within three days of discovery of such fact, that McMahan and Associates, L.L.C. has actual knowledge that the subcontractor is employing or contracting with a worker without authorization; and
 - 2. Terminate the contract with the subcontractor if, within three days of receiving the notice required by subpart D.1. above, the subcontractor does not stop employing or contracting with the worker without authorization; except that McMahan and Associates, L.L.C. need not terminate the contract with the subcontractor if, during such three days, the subcontractor provides information establishing that the subcontractor has not knowingly employed or contracted with a worker without authorization.
- E. McMahan and Associates, L.L.C. shall comply with any reasonable request by the Department made in the course of an investigation that the Department is undertaking pursuant to the authority established in C.R.S. Section 8-17.5-102(5).
- F. If McMahan and Associates, L.L.C. violates any of the provisions of this section, the County shall have the right to terminate the engagement for breach of contract and, in such case, McMahan and Associates, L.L.C. shall be liable to the County for all actual and consequential damages incurred by the County as a result of such breach and the termination of this engagement.
- G. The County will notify the Office of the Secretary of State if Contractor violates this provision of this engagement and the County terminates this engagement for such breach.

As used above, "Department" means the Colorado Department of Labor and Employment.

We appreciate the opportunity to be of service to Routt County and look forward to working with you and your staff on this engagement. Please sign where indicated below to indicate your acknowledgment of, and agreement with, the arrangements for this engagement, including our respective responsibilities.

Very truly yours,
McMAHAN and ASSOCIATES, L.L.C.

McMahan and Associates, L.L.C.

This letter correctly sets forth the understanding of Routt County with respect to the services to be performed by McMahan and Associates, L.L.C.

ROUTT COUNTY, COLORADO

BY:

Signature: _____

Title: _____

Date: _____