



January 14, 2022

Board of Trustees
Town of Empire
Empire, Colorado

We have audited the financial statements of the Town of Empire (the "Town") for the year ended December 31, 2020, and have issued our report thereon dated January 14, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

In planning and performing our audit of the financial statements, we considered the Town's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our responsibility for the other information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements, as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. We noted no transactions entered into by the Town during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements for the year ended December 31, 2020.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. 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 management's current judgments. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We made adjustments to the Town's accounting records in order to properly report certain assets, liabilities, revenues and expenditures of the Town. The nature and amounts of these audit adjustments made to the Town's accounting records indicate a deficiency in the Town's accounting and financial reporting. We recommend that the Town review its accounting and reporting procedures in order to insure the transactions are properly reported in the accounting records.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

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 the application of an accounting principle to the Town's financial statements or a determination of the type of auditors' 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.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties while performing our audit.

Other Matters

Payroll

We tested a sample of payroll transactions and found that authorized pay rates were not consistently documented in the employee's personnel file. We also noted that timesheet approvals were not consistently documented. Although we did not find unusual pay rates being paid to employees, we recommend that all personnel files be reviewed and updated with current documentation.

Segregation of Duties

The Town has primarily one individual performing the majority of the accounting functions. This limited segregation of duties is common in municipalities of this size and nature. We recommend that the Town continue to evaluate controls/procedures to determine if additional compensating controls/procedures are needed in order to mitigate most of the segregation of duties and lower the risk of material misstatement to the financial statements through error or fraud.

Conclusion

We would like to thank Jeannette Piel, and Mayor, Wendy Koch, and Town staff for their assistance during the audit process.

This purpose of this report is solely to inform the Board of Trustees and management of the Town of Empire about the results of our audit of the financial statements. Accordingly, this report is not suitable for any other purpose.

Sincerely,



Logan and Associates, LLC