



CERTIFIED
PUBLIC
ACCOUNTANTS

July 5, 2023

City Council
City of Craig
300 West Fourth Street
Craig, Colorado 81625

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Craig (the City) for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards* and the Uniform Guidance, 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 December 19, 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 City are described in Note 1 to the financial statements. During the year ended December 31, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. For additional information on the implementation of this standard see Notes 4 and 5. We noted no transactions entered into by the City 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 City's financial statements were:

- Management's estimate of depreciation expense is based on the straight-line method of depreciation from the date the asset is placed into service.
- Management's estimate of the leased assets and leased liabilities are based on the present value of future payments under the lease agreements.
- Management's estimate of the accrued compensated absences is based on employees hourly rate of pay as of December 31, 2022 and hours accrued as of December 31, 2022.

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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The only particularly sensitive disclosure in the financial statements for the year ended, December 31, 2022, is Note 11, that outlines the restatement of beginning net position.

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. A schedule of corrected misstatements is attached to this letter.

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 5, 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 the City'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 City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management Letter Comments

As a part of the audit, The Adams Group, LLC performed the following nonattest services: 1) preparation of the City's financial statements and related disclosures; 2) preparation of the net present value calculations and related disclosures for right to use lease assets and lease liabilities required to be measured under GASB Statement No. 87, *Leases*. Management has taken responsibility for all nonattest services performed during the audit for the year ended December 31, 2022.

During the audit, we noted that the City restated beginning net position in order to accurately reflect the allocation of the Medical Benefit Internal Service across the governmental and business type activities. We recommend that the City review the allocation on an annual basis to ensure consistency of this estimate.

Other Matters

We applied certain limited procedures to management's discussion and analysis (MD&A) and the general fund budgetary comparison schedule which are 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 the combining and individual fund balance statements and schedules, the schedule of expenditures of federal awards, and the local highway finance report 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.

Restriction on Use

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

Sincerely,

A handwritten signature in black ink that reads "The Adams Group, LLC". The signature is written in a cursive, flowing style.

The Adams Group, LLC
Certified Public Accountants

City of Craig
Adjusting Journal Entries
Year Ended December 31, 2022

Account		Description	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust CWRPDA Drinking Water Revolving Fund loan drawdown request as of December 31, 2022.				
50-1040		CASH WITH CWRPDA	\$ 269,603	
50-1150		ACCOUNTS RECEIVABLE		269,609
Total			<u>\$ 269,603</u>	<u>\$ 269,609</u>
Adjusting Journal Entries JE # 2				
To reclassify lease expense to lease principal and interest expense and record capital outlay and lease proceeds in accordance with GASB Statement No. 87.				
10-51-94700		PD EQUIPMENT OTHER	\$ 298,571	
10-99-99998		TAG Principal - Leases	40,684	
10-99-99999		TAG Interest Expense - Leases	3,464	
10-51-53100		FXD CHG RENT		44,148
10-99-99997		Proceeds from long term liabilities		298,571
Total			<u>\$ 342,719</u>	<u>\$ 342,719</u>