



Report to Governance  
City of Florence, Colorado

*December 31, 2013*





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City of Florence, Colorado

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# Introduction

## City of Florence, Colorado

City Council  
City of Florence, Colorado

We are pleased to have the opportunity to present to you the results of our audit engagement of the City of Florence, Colorado (the City), for the year ended December 31, 2013. The accompanying report presents information regarding the scope of our audit and other matters, which summarizes the results of our audit engagement.

We have audited the basic financial statements of the City. Our audit was performed in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement and presented in accordance with accounting principles generally accepted in the United States of America. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We also assessed the accounting principles used by the City and the significant estimates made by the City's management, as well as evaluated the overall financial statement presentation.

Auditing standards require the auditor to ensure that those charged with corporate governance receive additional information regarding the scope and results of the audit that may assist the governing body in overseeing the financial reporting and disclosure process for which management is responsible. The following section describes matters which are required to be reported to you.

This information is intended solely for the use of the 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.



# Auditor Communications

City of Florence, Colorado

AREA	COMMENTS
<p><b>Auditors' Responsibility Under U.S. Generally Accepted Auditing Standards</b></p> <p>As stated in our engagement letter dated November 14, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your assistance are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of responsibility for the accuracy of the financial statements.</p>	<p>We have issued unmodified opinions on the City's financial statements for the year ended December 31, 2013.</p>
<p><b>Other Information In Documents Containing Audited Financial Statements</b></p>	<p>Required Supplementary Information (RSI):</p> <ul style="list-style-type: none"> <li>↔ This consists of the management's discussion and analysis and required budgetary comparison information.</li> <li>↔ This is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB).</li> <li>↔ We applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted primarily of inquiries of management and comparison of information for consistency with management's responses and the basic financial statements.</li> <li>↔ We did not audit the information and express no opinion on it.</li> </ul>



## Auditor Communications (Continued)

City of Florence, Colorado

AREA	COMMENTS
<p><b>Other Information In Documents Containing Audited Financial Statements (Continued)</b></p>	<p>Other Supplementary Information:</p> <ul style="list-style-type: none"> <li>❖ This consists of combining and individual fund statements and schedules, budgetary comparison information, statement of changes in agency fund and Local Highway Finance Report.</li> <li>❖ Our responsibility for the other supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole.</li> <li>❖ We have applied auditing procedures and certain additional procedures to the information and, accordingly, expressed an opinion on it in relation to the basic financial statements.</li> </ul>
<p><b>Planned Scope And Timing Of The Audit</b></p>	<p>We performed the audit as discussed in our engagement letter dated November 14, 2013, regarding the nature, timing and extent of our audit procedures.</p>



# Auditor Communications (Continued)

City of Florence, Colorado

AREA	COMMENTS
<p><b>Qualitative Aspects Of Accounting Practices</b>            Management is responsible for the 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.</p>	<ul style="list-style-type: none"> <li>❖ Significant accounting policies are described in Note 1.</li> <li>❖ GASB 65 was implemented in the current period.</li> <li>❖ We noted no transactions entered into during the year for which there was a lack of authoritative guidance or consensus.</li> <li>❖ No significant transactions have been recognized in a different period than when the transactions occurred.</li> </ul>
<p><b>Management Judgments And Accounting Estimates</b>            The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.</p>	<p>Management's estimate of the depreciable lives of property and equipment used to calculate depreciation is based on the assets' estimated useful lives.</p>
<p><b>Financial Statement Disclosures</b></p>	<p>The disclosures are neutral, consistent and clear. Certain disclosures are particularly sensitive because of their significance to the financial statement users. The City's disclosure of debt in Note 7 is likely the most sensitive financial statement disclosure.</p>
<p><b>Difficulties Encountered In Performing The Audit</b></p>	<p>There were no significant difficulties in dealing with management in performing and completing our audit.</p>





## Auditor Communications (Continued)

City of Florence, Colorado

AREA	COMMENTS
<b>Corrected And Uncorrected Misstatements</b>	<ul style="list-style-type: none"><li>❖ We proposed and management recorded audit adjustments considered to be material, either individually or in the aggregate. Refer to a listing of corrected misstatements in the Adjusting and Reclassifying Journal Entries Reports, copies of which are attached.</li><li>❖ We accumulated no uncorrected misstatements during the 2013 audit.</li></ul>
<b>Disagreements With Management</b>	None.
<b>Management Representations</b>	Management representation letter received dated July 25, 2014 (please see attachments).
<b>Management Consultations With Other Independent Accountants</b>	None.
<b>Other Audit Findings Or Issues</b>	There were no matters of significant discussion that affected our retention as the City's auditors.



## Management Letter

City of Florence, Colorado

In planning and performing our audit of the financial statements of the City, as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.





## Areas For Improvement

### City of Florence, Colorado

We consider the following deficiencies in the City's internal control to be material weaknesses:

- ❖ **Accounts Payable** - During the audit, it was noted that accounts payable were not recorded in the correct funds, which led to pooled investments and accounts payable being misstated in multiple funds. We recommend management review the payable listing on a recurring basis to ensure liabilities are recorded in the respective funds.
- ❖ **Retainage Payable** - During our review of construction in progress, it was noted that the City had not recorded retainage payable. As a result, both construction in progress and liabilities were misstated. We recommend management review construction invoices monthly and adjust the balance based on the current month's activity.
- ❖ **Bond Refunding** - During our review of the bond refunding, we noted the loss on refunding was not calculated correctly, the premium on refunding was not recorded and bond issuance costs and interest expense were not recorded correctly. Bond refunding can be a complex transaction and should be reviewed and approved by the appropriate level of management.
- ❖ **GASB 65 Implementation** - We noted that the City was not proactive in recording GASB 65 adjustments and relied on RubinBrown to perform the calculation to restate beginning-year balances. We recommend management familiarize itself with new accounting pronouncements and attend the RubinBrown-sponsored Continuing Professional Education.
- ❖ **Wire Transfers** - During our review of controls over transfers, we noted City personnel reviews and approves the transfer prior to the completion of the transfer; however, the approval is not occurring within the City's information system, thus allowing the preparer of the transfer the opportunity to change the transfer after the review has been completed.



## Areas For Improvement (Continued)

### City of Florence, Colorado

- ❖ **Journal Entries** - It was noted during the audit that there is not an effective, recurring review over journal entries posted by the accountant, nor is there a review of the month-end close by someone outside of the contract accountant, thus resulting in a possibility of misstated account balances. We recommend someone independent of the contract accountant perform a level of review of journal entries recorded and the month-end close.

#### ***Best Practice Recommendation***

- ❖ **Expense Reports** - As part of our audit, we reviewed credit card charges and noted several charges for which supporting receipts could not be located. We recommend the City reimburse personnel for City business once receipts and supporting documentation have been provided.



## Upcoming GASB Pronouncements

### City of Florence, Colorado

- ❖ *GASB 67: Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25*
  - ▶ Effective for financial statements for periods beginning after June 15, 2013.
  - ▶ Replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria.
  
- ❖ *GASB 68: Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*
  - ▶ Effective for financial statements for periods beginning after June 15, 2014.
  - ▶ Improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The statement replaces requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria.
  
- ❖ *GASB 69: Government Combinations and Disposals of Government Operations*
  - ▶ Effective for financial statements for periods beginning after December 15, 2013.
  - ▶ Establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions and transfers of operations.



## Independent Auditors' Report On Additional Information

City of Florence, Colorado

Our report on our audit of the financial statements of the City as of December 31, 2013 appears in the financial statements of the City. That audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The additional information in this report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion on it.

*RubinBrown LLP*

July 25, 2014



City of Florence, Colorado

# Attachments

For City Council and Management Use Only

Client: **35154.0000 - City of Florence Colorado**  
 Engagement: **2013 AUD - City of Florence Colorado**  
 Period Ending: **12/31/2013**  
 Trial Balance: **TB Database**  
 Workpaper: **3001 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 2</b>				
To correctly record interest expense related to the lease payments				
	1-4060-8759		9,755.00	
	1-4310-7557		867.00	
	1-4060-8760			9,755.00
	1-4310-7556			867.00
<b>Total</b>			<b>10,622.00</b>	<b>10,622.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
To record accrued interest for the business type activities				
	2-6700-8557		19,561.00	
	2-2000-2230			19,561.00
<b>Total</b>			<b>19,561.00</b>	<b>19,561.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
To agree fund balance in water fund to 2012 financial statements				
	2-2000-2670		4.00	
	2-4950-9710		4.00	
<b>Total</b>			<b>4.00</b>	<b>4.00</b>
<b>Adjusting Journal Entries JE # 6</b>				
To record retainage payable.				
	2-1000-1641		95,341.00	
	2-2000-2020			95,341.00
<b>Total</b>			<b>95,341.00</b>	<b>95,341.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
To properly record the water fund A/P and investment account.				
	1-2000-2020		210,734.00	
	2-1000-1060		210,734.00	
	1-1000-1060			210,734.00
	2-2000-2020			210,734.00
<b>Total</b>			<b>421,468.00</b>	<b>421,468.00</b>
<b>Adjusting Journal Entries JE # 8</b>				
To adjust for bond refinancing				
	2-3440-1760		4,037.00	
	2-4370-7881		226,023.00	
	2-4370-7999		73,826.00	
	2-6700-8585		56,228.00	
	2-6700-8888		179,096.00	
	2-1000-1809			62,883.00
	2-2000-2228			210,607.00
	2-2000-2230			41,349.00
	2-4150-3000			4,037.00
	2-4370-7999			56,228.00
	2-4370-7999			105,280.00



Client: **35154.0000 - City of Florence Colorado**  
 Engagement: **2013 AUD - City of Florence Colorado**  
 Period Ending: **12/31/2013**  
 Trial Balance: **TB Database**  
 Worksheet: **3001 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
2-6700-8557	INTEREST - REV REFUND BONDS		58,826.00	
<b>Total</b>			<b>539,210.00</b>	<b>539,210.00</b>
<b>Adjusting Journal Entries JE # 9</b>				
To record GASB 65 entry to restatement equity balance and expense bond insurance expense				
2-1000-1810	BOND ISSUING COSTS		52,354.00	
2-2000-2870	FUND BALANCE-UNRESTRICTED		179,654.00	
2-4370-6700	INSURANCE		52,354.00	52,354.00
2-1000-1810	BOND ISSUING COSTS			52,354.00
2-4370-7881	AMORTIZATION EXPENSE			232,008.00
<b>Total</b>			<b>284,362.00</b>	<b>284,362.00</b>
<b>Adjusting Journal Entries JE # 10</b>				
To zero out transfers between funds				
1-4520-7830	ELECTRICITY		87.00	
1-3910-4000	TRANSFER-WATER FUND LABOR			87.00
<b>Total</b>			<b>87.00</b>	<b>87.00</b>
<b>Adjusting Journal Entries JE # 11</b>				
Amortize bond premium				
2-2000-2228	Bond Premium-2013 Bonds		5,267.00	
2-6700-8557	INTEREST - REV REFUND BONDS			5,267.00
<b>Total</b>			<b>5,267.00</b>	<b>5,267.00</b>
<b>Adjusting Journal Entries JE # 12</b>				
To remove compensated absenses out of general fund				
1-2000-2034	ACCRUED WAGES		54,577.00	
1-4230-1100	SALARIES-DISPATCH			54,577.00
<b>Total</b>			<b>54,577.00</b>	<b>54,577.00</b>

Client: **35154.0000 - City of Florence Colorado**  
 Engagement: **2013 AUD - City of Florence Colorado**  
 Period Ending: **12/31/2013**  
 Trial Balance: **TB Database**  
 Workpaper: **3002 - Reclassifying Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Reclassifying Journal Entries JE # 1</b>				
	to record a PBC entry to correct interest expense account balances to match actual payments made	5305		
2-6700-8595	CWRPDA SERIES 2003B		243,684.00	
2-7700-8595	CRWPDA Loan Payments		882,802.00	
2-6700-8595	CWRPDA SERIES 2003B			882,802.00
2-7700-8595	CRWPDA Loan Payments			243,684.00
<b>Total</b>			<b>1,126,486.00</b>	<b>1,126,486.00</b>



# CITY OF FLORENCE

FLORENCE MUNICIPAL CENTER

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July 25, 2014

RubinBrown LLP  
1900 16th Street  
Suite 300  
Denver, CO 80202

We are providing this letter in connection with your audit of the financial statements of the City Of Florence (the City) as of December 31, 2013 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence and the respective changes in financial position and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles.

We understand we are responsible for management decisions and functions, for designating a qualified employee to oversee any nonattest services you provide, for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

We confirm, to the best of our knowledge and belief the following representations made to you during your audit.

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the City required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. We are in agreement with the adjusting journal entries that you have proposed and they have been posted (reference attachment for all adjustments recorded).
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.
11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
16. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
19. We have made available to you all financial records and related data.
20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
24. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
25. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
26. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
28. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
29. The financial statements properly classify all funds and activities.
30. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
31. Components of net assets (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
32. Investments are properly valued.
33. Provisions for uncollectible receivables have been properly identified and recorded.
34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
35. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Deposits and investment securities are properly classified as to risk and are properly disclosed.

38. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
39. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
40. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
41. With respect to the combining and individual nonmajor fund financial statements and schedules, budget-to-actual fund schedules, statement of changes in agency fund, and the Local Highway Finance Report.
42. We acknowledge our responsibility for presenting the combining and individual nonmajor fund financial statements and schedules, budget-to-actual fund schedules, statement of changes in agency fund, and the Local Highway Finance Report in accordance with U.S. generally accepted accounting principles, and we believe the combining and individual nonmajor fund financial statements and schedules, budget-to-actual fund schedules, statement of changes in agency fund, and the Local Highway Finance Report, including its form and content, is fairly presented in accordance with U.S. generally accepted accounting principles. The methods of measurement and presentation of the combining and individual nonmajor fund financial statements and schedules, budget-to-actual fund schedules, statement of changes in agency fund, and the Local Highway Finance Report have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.



Michael Patterson, City Manager



Pat Mock, Finance Director