



CITY OF LONE TREE
Audit Committee Special Meeting
9220 Kimmer Drive, Suite 100
9:00 A.M.
Wednesday, March 5, 2014

Agenda

- I Roll Call
- II Review and approval of September 5, 2013 Minutes
- III Appointment of Chair and Vice Chair for 2014
- IIII Update on 2013 audit and additional engagement for SCFD Tier II grant application
- V 2014 auditor selection process – discuss possible RFP this year
- VI Discussion of Next Meeting Date (tentatively set for June 4, 2014)
- VII Other Business
- VIII Adjournment



CITY OF LONE TREE
Audit Committee Minutes
September 5, 2013

A meeting of the City of Lone Tree's Audit Committee was held on Thursday, September 5, 2013, at 9:00 a.m. at the City of Lone Tree Municipal Office, 9220 Kimmer Drive, Suite 100.

The following Committee members were present:

Chair Don Rogers, Lone Tree Resident
Vice Chair Chris Howson, CPA, Lone Tree Resident
Andrew Dodgen, CPA, Lone Tree Resident
Kim Monson, Council Member
Christine Harwell, CPA, Chief Financial Officer
Jack Hidahl, City Manager

Also present:

Kristin Baumgartner, Accounting and Revenue Manager
Robert Johnson, Internal Services Director

Chair Rogers called the meeting to order at 9:05 a.m.

Review and Approval of June 10, 2013 Minutes

No corrections were received after the minutes were sent for review after the meeting. There were no corrections noted. Chair Rogers moved, Vice Chair Howson seconded, to approve the June 10, 2013 Minutes. The motion passed unanimously.

Update on new pension requirements (GASB 67 and GASB 68)

Kristin Baumgartner presented an overview on the new GASB standards which will have to be implemented for the City's 2015 audit. Discussion was held and more information will be presented at a later date.

Update on 2014 Budget process

Kristin Baumgartner discussed the budget process with the Committee. Discussion was held on the three new policies adopted during the budget process including the Debt Management Policy, Investments Policy and Vehicle Replacement Policy.

2013 Auditor Selection Process

Christine Harwell discussed the current terms of the audit engagement letter with the committee stating that the current agreement ran through 2013 for the 2012 audit. In preparation for the 2013 audit year, options were provided to the Committee on re-engaging the current auditor, Wagner, Barnes & Griggs PC or going out to RFP. Due to the quality of work over the last 3 years as well as the accounting function transitioning in-house more in 2013, it was discussed and recommended that Ms. Harwell contact Eric Barnes, the current external audit partner, and request a quote for a one year extension. Direction was given for Ms. Harwell to email the Committee if the quote came in over \$5K from the current price and that discussion would be held at that time.

Next Meeting Date

Discussion was held concerning the next meeting date which was scheduled for December 5, 2013 at 9:00am. The committee decided to tentatively cancel this meeting unless more discussion would be needed on selecting the auditor for 2013.

Adjournment

Chair Rogers moved, Vice Chair Howson seconded, to adjourn at 10:30 a.m. The motion passed unanimously.

Respectfully Submitted,

Kristin Baumgartner, CPA
Accounting and Revenue Manager



CITY OF LONE TREE
STAFF REPORT

TO: Mayor Gunning and City Council
FROM: Kristin Baumgartner, Finance Director
DATE: November 26, 2013
FOR: December 3, 2013, City Council Meeting Consent Agenda
SUBJECT: Auditor Engagement Letters

Summary

Each year statutorily the City is required to have an audit completed and submitted to the state by July 31st of the following year. Additionally, the City completes a Comprehensive Annual Financial Report (CAFR) as part of its audit process each year to submit to the GFOA annually for its Certificate of Achievement in Financial Reporting which is due by June 30th each year for the prior year financial statements.

Attached for approval by City Council are 3 separate engagement letters from Wagner Barnes & Griggs, PC including:

- City's annual engagement letter for audit services for the year 2013
- Audit services related to SCFD Tier II Annual Operating Income Form
- Agreed-upon procedures engagement related to SCFD Tier II Qualifying Paid Attendance

Cost

\$25,100 for the City's annual audit services for 2013 and not to exceed \$7,500 for the two SCFD related audit services. Total City cost estimated at \$32,600 which is included in the 2014 budget.

Suggested Motion or Recommended Action

Move to approve the three audit engagement and agreed-upon procedures letters for 2013 from Wagner Barnes & Griggs, PC regarding:

- City's annual engagement letter for audit services for the year 2013
- Audit services related to SCFD Tier II Annual Operating Income Form
- Agreed-upon procedures engagement related to SCFD Tier II Qualifying Paid Attendance

Background

Wagner Barnes & Griggs, PC has been the City's auditor for the last 3 years and staff recommends engaging them for the 2013 audit. Fees for the 2013 audit increased by \$6,800 due to the finance department being brought fully in-house during 2013. Auditing standards require that if there is change in personnel, or change in systems, testing be performed on the effected internal control systems.

Additionally, the City is planning to apply for Tier II grant funding from SCFD in 2014. As a requirement to the grant process, an audit of the operating income of the LTAC as well as a review of the qualifying paid attendance is needed. Since this is the first year these procedures will be conducted, the auditor is proposing a not to exceed estimate of \$7,500 for these services.

SCFD Tier II Background

It is our intention in 2014 to apply for Tier II certification from the Scientific and Cultural Facilities District (SCFD). We are currently a Tier III organization, which limits the amount of support for which we qualify. As a Tier III organization, we currently receive approximately \$90,000 a year for our scientific, arts and cultural programs. Tier III organizations are only allowed to make individual applications on a county to county basis. While we have successfully expanded the number of counties beyond Douglas County funding us this year to include Arapahoe and Jefferson Counties, the 'pool' of money for which we can apply is limited and hundreds of other organizations are also competing for the same funds. As a Tier II organization, we would be one of only twenty-seven organizations in the tier, which holds a much higher proportion of SCFD funds collected. Our income would vary based on qualifying income and paid attendance – preliminary estimates show that a typical annual grant award could be as high as \$151,000. Tier II money is not county-specific; instead, it is distributed from collections from throughout the seven county metro district.

Qualifying for Tier II funding would be beneficial to us, to Lone Tree, and to Douglas County generally for two reasons. First, the SCFD funding for our programs would rise dramatically. Secondly, if we move to Tier II, that will free up more Douglas County *Tier III* funds for other organizations who serve Lone Tree and Douglas County residents. For example, if an organization would like to work in local area schools with a scientific or cultural program, currently we are competing directly with that organization for the limited Douglas County funds available to Tier IIIs. If we qualify for Tier II, we remove that competition, and more money is now potentially available for both organizations.

The two factors that determine how much a qualifying Tier II organization receives each year are paid attendance at mission-specific events and qualifying organizational income. The qualifying income includes ticket sales, most contributed income, some other miscellaneous income, and, in our case, the general fund allocation to support scientific, arts and cultural programs. Currently, there are three different places where this money is budgeted: the Arts Commission's Arts and Culture budget; the Events budget; and the Arts Center Special Revenue Fund. Combining qualifying income over these three budgets is allowed when making a Tier III application. In making a Tier II application, however, all qualifying income has to be independently audited to assure that it meets SCFD requirements and our auditors tell us that it would therefore all need to be accounted for in the City's Special Revenue Fund related to the Arts Center. Currently, the Arts Commission's Arts and Culture budget as well as the Events budget are accounted for in the General Fund.

If Arts Center qualifies for Tier II status, it will be joining a fairly notable group that includes the Colorado Symphony Orchestra, the Arvada Center, Colorado Ballet, the City of Aurora, the City of Lakewood, and other major arts groups. Tier II organizations must meet criteria that defines them as regional, rather than local,

assets, and Tier II qualification would further the public perception of the City's status as a leader in the metro area.



Certified Public Accountants and Business Consultants

October 10, 2013

To the Honorable Mayor and City Council
City of Lone Tree, Colorado

We are pleased to propose audit services and to confirm our understanding of the services we are to provide City of Lone Tree, Colorado (the City) for the year ended December 31, 2013. We will audit the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City as of and for the year ended December 31, 2013. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 City's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for these funds:
 - General Fund
 - Special Revenue Fund – Ridgeway
 - Special Revenue Fund – Arts Center
- 3) Notes to Required Supplementary Information

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. 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 auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- 1) Debt Service Fund – Arts and Cultural Facilities - Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
- 2) Debt Service Fund – Parks and Recreation Improvements - Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
- 3) Component Unit (Park Meadows Business Improvement District) basic financial statements and supplementary information as presented in 2012 financial statements.
- 4) Fiduciary Fund (Agency Fund) – Statement of Changes in Assets and Liabilities
- 5) Schedule of Debt Service Requirements to Maturity
- 6) Local Highway Finance Report

Wagner Barnes & Griggs, PC

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303.202.1800 Office · 303.237.0155 Fax · www.wbcpc.com

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- 1) Introductory Section
- 2) Statistical Section

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the 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.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You agree to assume all management responsibilities for any nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the

reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

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

We expect to begin our audit in May and to issue our reports no later than June 30, 2014. Eric Barnes is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fee for these services will be \$25,100 plus out-of-pocket costs (such as postage, travel, etc.). This fee is based on the information provided to us in discussions with City staff concerning the transition in accounting and finance functions from CliftonLarsonAllen to City staff, and the related change in internal controls. If initial testing indicates a reduction in our ability to place reliance on existing controls, we will discuss any necessary fee modifications with you. 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 thirty days or more 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. The above fee is 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 discuss it with you and arrive at a new fee estimate before we incur the additional costs. *We agree to maintain our fee at the agreed-upon level for subsequent audits of 2014 and 2015, should you select us to perform those audits.*

Contractor Certification Regarding Illegal Aliens – Public Contracts for Services

Pursuant to the requirements of Section 8-17.5–102(1), C.R.S., we hereby certify to the District that we do not knowingly employ or contract with an illegal alien who will perform work under the Agreement and that we participate in the E-Verify Program or Department Program (as defined in Sections 8-17.5-101(3.3) and (3.7), C.R.S.) in order to confirm the employment eligibility of all employees of Wagner Barnes & Griggs, PC who are newly hired to perform work under the Agreement.

In accordance with Section 8-17.5-102(2)(a), C.R.S., we shall not:

- 1) Knowingly employ or contract with an illegal alien to perform work under the Agreement; or
- 2) Enter into a contract with a subcontractor that fails to certify to us that the subcontractor shall not knowingly employ or contract with an illegal alien to perform work under the Agreement.

We represent and warrant that we have confirmed the employment eligibility of all employees who are newly hired for employment to perform work under the Agreement through participation in either the E-Verify Program or the Department Program.

We are prohibited from using either the E-Verify Program or the Department Program procedures to undertake pre-employment screening of job applicants while the Agreement is in effect.

If we obtain actual knowledge that a subcontractor performing work under the Agreement knowingly employs or contracts with an illegal alien, we shall:

- 1) Notify the subcontractor and the District within three days that we have actual knowledge that the subcontractor is employing or contracting with an illegal alien; and
- 2) Terminate the subcontract with the subcontractor if within three days of receiving the notice the subcontractor does not stop employing or contracting with the illegal alien; except that we shall not terminate the contract with the subcontractor if during such three days the subcontractor provides information to establish that the subcontractor has not knowingly employed or contracted with an illegal alien.

We shall comply with any reasonable request by the Colorado Department of Labor and Employment ("Department") made in the course of an investigation that the Department is undertaking, pursuant to the law.

If we violate any provision of Section 8-17.5–102(1), C.R.S., the District may terminate the Agreement immediately and we shall be liable to the District for actual and consequential damages of the District resulting from such termination, and the District shall report such violation by us to the Colorado Secretary of State, as required by law.

We appreciate the opportunity to submit this proposal and to be of service to City of Lone Tree, Colorado, and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Wagner Barnes & Griggs, PC

Wagner Barnes & Griggs, PC

RESPONSE:

This letter correctly sets forth the understanding of City of Lone Tree, Colorado.

Management signature: *[Signature]*
Title: *City Manager*
Date: *12-3-13*

Council/Audit Committee signature: *[Signature]*
Title: *MAYOR*
Date: *12-3-13*



Certified Public Accountants and Business Consultants

November 12, 2013

To the Honorable Mayor, City Council and City Manager
City of Lone Tree Colorado

We are pleased to confirm our understanding of the services we are to provide City of Lone Tree, Colorado (the City) for the audit period applicable to reporting as required by the Scientific and Facilities Cultural District (SCFD). We will audit the Tier II Annual Operating Income Form and, if applicable, the Tier II Joint Venture Form (the Forms) for the City's Lone Tree Arts Center (Art Center) for the audit period required by SCFD reporting requirements.

Audit Objective

The objective of our audit is the expression of opinions as to whether the Forms fairly present, in all material respects, the operating and qualifying income of the Arts Center for the audit period, determined on the basis of accounting practices specified by the SCFD. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of evidence supporting the amounts and disclosure in the Forms, and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the Forms 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.

Management Responsibilities

Management is responsible for the Forms and all accompanying information as well as all representations contained therein.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the Forms in conformity with accounting practices specified by the SCFD.

Management is also responsible for making all financial, attendance, course, and ticket sale records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the Forms, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the City and the Arts Centers from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the Forms to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Forms taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City or the Arts Center involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the Forms. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City or the Arts Center received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the City and the Arts Center complies with applicable laws and regulations.

Wagner Barnes & Griggs, PC

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Audit Procedures—General

Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Forms; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested, except where testing procedures are specifically prescribed by SCFD. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Forms. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the Forms are free of material misstatement, whether from (1) errors, (2) fraudulent reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or the Arts Center or to acts by management or employees acting on behalf of the City or the Arts Center.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, the audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the Forms. However, we will inform the appropriate level of management of any material errors, any fraudulent reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the amounts recorded on the Forms and related reports, and may include tests of the physical existence of certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We may request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the Forms and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the Arts Center and its environment, including internal control, sufficient to assess the risks of material misstatement of the Forms and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City's and the Arts Center's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Engagement Administration, Fees, and Other

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

We expect to conduct our audit in conjunction with the audit of the City's financial statements and the Agreed Upon Procedures for the SCFD Form B (per a separate engagement letter), and to issue our reports by the due date prescribed by SCFD. If the SCFD prescribes the audit period for the Forms to be for a period that is different than the City's audit period, we will coordinate the dates for conducting the audit with the City's staff. Eric Barnes or Mark Wagner will be the engagement partner and will be responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as postage, travel, etc.) except that we agree that our fee, in combination with the Agreed Upon Procedures, will not exceed \$7,500. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoice 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 30 days or more 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. The above fee is 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 discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the City of Lone Tree, Colorado and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Wagner Barnes & Griggs, PC

Wagner Barnes & Griggs, PC

RESPONSE:

This letter correctly sets forth the understanding of the City of Lone Tree, Colorado.

Management signature,
if applicable:

SHR

Title:

City Manager

Date:

12-3-13

Governance signature,
if required:

James P. Dunning

Title:

Mayor

Date:

12-3-13



Certified Public Accountants and Business Consultants

November 12, 2013

Honorable Mayor, City Council, and City Manager
City of Lone Tree, Colorado

We are pleased to provide a proposal for agreed-upon procedures, and to confirm our understanding of the services we are to provide for the City of Lone Tree, Colorado (the City).

We will apply the agreed-upon procedures which the City has specified, relative to certain Scientific and Cultural Facilities District (SCFD) requirements relative to the Tier II Qualifying Paid Attendance reported on the Matrix (the Form) of the Lone Tree Arts Center, for the appropriate reporting period, as follows:

- Obtain the admission summary reports for all exhibitions and performances, compute the attendance totals, and compare them to the Form.
- Select the prescribed sample size of exhibition or performance dates held during the year. Obtain admission detail reports, recalculate ticket prices by buyer type, and compare them to the Lone Tree Arts Center's ticket receipts record.
- If applicable, select the prescribed sample size of class dates held during the year, compare the number of participants to the individual class records, and compare the payment made by one participant in each class to the Lone Tree Art Center's education payment record.
- Observe the seating capacity of the Lone Tree Arts Center's performance hall and compare it to the total attendance for each individual performance.

Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures as described above do not constitute an audit as defined under Generally Accepted Auditing Standards, we will not express an opinion on the City's financial report or any elements, accounts, or items thereof. In addition, we have no obligation to perform any procedures beyond those stated above.

We will submit a reporting listing the procedures performed and our findings. Our report is intended solely for the use of the City and the SCFD, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures under Generally Accepted Auditing Standards, other matters might have come to our attention that would have been reported to you.

You are responsible for the presentation of the Form in accordance with requirements of the SCFD and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, and/or experience to oversee the services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Wagner Barnes & Griggs, PC

12136 W. Bayaud Avenue., Suite 300 • Lakewood, Colorado 80228
303.202.1800 Office • 303.237.0155 Fax • www.wbepaco.com

We plan to begin our procedures in conjunction with the audit of the Tier II Annual Operating Income Form, as described in a separate engagement letter. At the conclusion of our engagement, we will require a representation letter from the City's management that, among other things, will confirm the City's responsibility for the report.

Our fee for these services will be billed at our standard hourly rates, except that we agree that our fee, in combination with our audit of the Tier II Annual Operating Income Form, as described in a separate engagement letter will not exceed \$7,500. The not-to-exceed fee is based on anticipated cooperation from the City and the Lone Tree Arts Center's personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign below and return the signed copy to us.

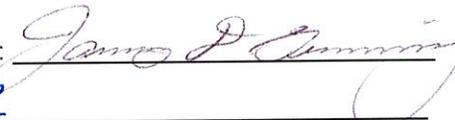
Very truly yours,



Wagner Barnes & Griggs, PC

RESPONSE:

This letter correctly sets forth the understanding of the City of Lone Tree, Colorado.

Authorized signature: 
Title: MAYOR
Date: 12/3/13