

REPORT DATE

Board of Directors and Management
Timberline Fire Protection District
Black Hawk, Colorado

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Timberline Fire Protection District (District) as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the following deficiency in internal control to be a material weakness:

Accounts Payable and Accounts Receivable

During testing of accounts payable, we identified approximately \$77,000 was improperly included in accounts payable. Costs should be recorded in the period they are incurred rather than when the payment is made or when they are budgeted. This will ensure costs are recorded in the proper period. In addition, certain receivable balances were not updated for the current year. While adequate supporting documentation was provided to record these balances, we recommend these adjustments be posted by the District.

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.

We consider the following deficiency in internal control to be a significant deficiency:

Bank Reconciliation

During our review of the December 2023 bank reconciliation, we noted that the balance per the general ledger was approximately \$20,000 higher than the bank reconciliation. It was discovered that the bank reconciliation improperly excluded approximately \$20,000 of outstanding checks. While this required no adjustment, a properly operating internal control is to ensure the balance per the bank reconciliation agrees to the general ledger. This will ensure transactions are recorded in the proper period and the balance in cash is accurate.

This communication is intended solely for the information and use of management, the Board of Directors, and others within District, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

The Adams Group, LLC
Certified Public Accountants

Preliminary Draft
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