

# **Town of Castle Rock, Colorado**

## **Single Audit Report**

December 31, 2023

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# DRAFT 10/28/2024

**Town of Castle Rock, Colorado  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>	<b>Provided to Subrecipients</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<b>Community Development Block Grants - Entitlement Grants Cluster</b>				
Direct awards:				
Community Development Block Grants - Entitlement Grants	14.218	N/A	\$ 64,667	\$ 27,330
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>64,667</u>	<u>27,330</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Direct awards:				
Bulletproof Vest Partnership Program	16.607	N/A	9,085	-
Equitable Sharing Program	16.922	N/A	<u>21,868</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>30,953</u>	<u>-</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through from the Colorado Department of Transportation:				
Highway Planning & Construction				
SH 85th / 5th and Founders / Ridge Rd Intersection	20.205	21-HA1-XC-03123	860,071	-
Castle Rock Downtown Pedestrian Lighting Improvements	20.205	21-HTD-ZL-03197	173,819	-
Castle Rock Advance Detection-ATSPM	20.205	21-HA1-XC-00020	<u>88,313</u>	<u>-</u>
Total Highway Planning and Construction Cluster			1,122,203	-
<b>Highway Safety Cluster</b>				
National Priority Safety Programs				
Highway Safety Grant (Click it or Ticket)	20.616	411019725	24,120	-
National Infrastructure Investments				
Crystal Valley Parkway Interchange	20.933	21-HA1-XC-00058	2,490,234	-
Safe Streets and Roads for All	20.939	693JJ32340102	<u>29,370</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>3,665,927</u>	<u>-</u>
<b>U.S. DEPARTMENT OF TREASURY</b>				
Direct awards:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>1,055,623</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>1,055,623</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 4,817,170</u>	<u>\$ 27,330</u>

The accompanying notes are an integral part of this schedule

**Town of Castle Rock, Colorado  
Notes to Schedule of Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Castle Rock, Colorado (the Town) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position/fund balance or cash flows of the Town.

**Note 2. Summary of Significant Accounting Policies**

Governmental funds account for the Town's federal grant activity. As such, expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**Independent Auditor's Report**

Honorable Mayor and Members of Town Council  
Town of Castle Rock, Colorado  
Castle Rock, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Castle Rock, Colorado (the Town), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated **DATE**. Our report includes a reference to other auditors who audited the financial statements of the Plum Creek Water Reclamation Authority, the Castle Rock Downtown Development Authority and the Miller's Landing Business Improvement District, as described in our report on the Town's financial statements. The financial statements of the Plum Creek Water Reclamation Authority, the Castle Rock Downtown Development Authority and the Miller's Landing Business Improvement District were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Plum Creek Water Reclamation Authority, the Castle Rock Downtown Development Authority and the Miller's Landing Business Improvement District or that are reported on separately by those auditors who audited the financial statements of the Plum Creek Water Reclamation Authority, the Castle Rock Downtown Development Authority and the Miller's Landing Business Improvement District.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The Town's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Denver, Colorado**

**DATE**

**Report on Compliance for The Major Federal Program,  
Report on Internal Control Over Compliance, and  
Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

**Independent Auditor's Report**

Honorable Mayor and Members of Town Council  
Town of Castle Rock, Colorado  
Castle Rock, Colorado

**Report on Compliance for The Major Federal Program**

***Opinion on The Major Federal Program***

We have audited the Town of Castle Rock, Colorado's (the Town) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2023. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

***Basis for Opinion on The Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

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



Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements. We have issued our report thereon dated **DATE**, which contained unmodified opinions on those financial statements and a reference to the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Denver, Colorado**  
**DATE**

**Town of Castle Rock, Colorado  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2023**

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**Section I – Summary of Auditor’s Results**

*Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

- Unmodified       Qualified       Adverse       Disclaimer

2. Internal control over financial reporting:

- Significant deficiency(ies) identified?       Yes       None reported  
Material weakness(es) identified?       Yes       No

3. Noncompliance material to the financial statements noted?       Yes       No

*Federal Awards*

4. Internal control over major federal awards programs:

- Significant deficiency(ies) identified?       Yes       None reported  
Material weakness(es) identified?       Yes       No

5. Type of auditor’s report issued on compliance for major federal award program(s):

- Unmodified       Qualified       Adverse       Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?       Yes       No

7. Identification of major federal programs:

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
21.027	Coronavirus State and Local Fiscal Recovery Funds

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9. Auditee qualified as a low-risk auditee?       Yes       No

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**Section II – Financial Statement Findings**

<b>Reference Number</b>	<b>Finding</b>
<b>2023-001</b>	<b>Finding: Year-End Financial Statement Preparation</b>
	<p><b>Criteria or Specific Requirement:</b> Management is responsible for establishing and maintaining effective internal controls over financial reporting. Effective internal controls are an important component of a system that helps ensure transactions are recorded timely and in the proper reporting period, thereby providing accurate financial data.</p>
	<p><b>Condition:</b> During the 2023 audit we identified several year-end entries that had not been appropriately accounted for. Specifically, we noted the following:</p>
	<ul style="list-style-type: none"><li>a. Tax sharebacks had not been accrued for properly in prior years resulting in an overstatement of current year expenses (\$840 thousand)</li><li>b. Errors in revenue recognition including:<ul style="list-style-type: none"><li>i. Cash-in-lieu payments should be unearned until a project begins (\$531 thousand)</li><li>ii. Escrow reimbursements should be recognized as revenue when eligible expenses are incurred (\$216 thousand)</li><li>iii. Utility overpayments should be reported as unearned vs negative accounts receivable (\$163 thousand)</li></ul></li><li>c. Error in year-end accruals including<ul style="list-style-type: none"><li>i. Sales tax receivable (\$245 thousand)</li><li>ii. Accounts receivable accrual (\$340 thousand)</li></ul></li></ul>
	<p><b>Cause:</b> The Town had significant turnover in the accounting department. Account reconciliations were not prepared timely and/or contained errors which were not caught in review.</p>
	<p><b>Effect:</b> The above items resulted in audit adjustments proposed but not recorded by management.</p>
	<p><b>Recommendation:</b> We recommend that management train staff to properly prepare and review reconciliations. We also recommend management implement policies and procedures to help ensure the accountants know how to treat the various types of transactions received by various Town departments.</p>
	<p><b>Views of Responsible Officials:</b> We agree. See separate corrective action plan.</p>

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**Section III – Federal Award Findings and Questioned Costs**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**Town of Castle Rock, Colorado  
Status of Prior Audit Findings  
Year Ended December 31, 2023**

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<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.