

# **Report to the Honorable Mayor and Members of the Town Council of the Town of Castle Rock**

**Town of Castle Rock, Colorado**

**Results of the 2024 Financial Statement Audit, Including Required Communications**

December 31, 2024

## Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

### Overview & Responsibilities

Scope of Our Audit &  
Inherent Limitation to  
*Reasonable Assurance*

Your & Our  
Responsibilities

Extent of Our  
Communication &  
Distribution Restriction

Group audits

Independence Matters

Matter	Discussion
<b>Scope of Our Audit</b>	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"> <li>• As of and for the year ended December 31, 2024</li> <li>• Conducted in accordance with our contract dated January 31, 2025 and the amendment dated May 6, 2025</li> </ul>
<b>Our Responsibilities</b>	<p>Forvis Mazars is responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.</p>
<b>Extent of Our Communication</b>	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
<b>Independence</b>	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>

Matter	Discussion
<b>Your Responsibilities</b>	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
<b>Distribution Restriction</b>	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> <li>• Honorable Mayor and Members of the Town Council of the Town of Castle Rock</li> <li>• Others within the Town</li> <li>• Federal awarding agencies and pass-through entities</li> </ul>

### *Government Auditing Standards*

Matter	Discussion
<b>Additional GAGAS Reporting</b>	<p>We also provided reports as of December 31, 2024, on the following as required by GAGAS:</p> <ul style="list-style-type: none"> <li>• Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS</li> </ul>
<b>Reporting Limitations</b>	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

## Uniform Guidance Overview & Responsibilities

Matter	Discussion
<b>Scope of Our Audit</b>	<p>We also provided reports as of December 31, 2024, on the following as required by U.S. Office of Management and Budget OMB Uniform Guidance:</p> <ul style="list-style-type: none"> <li>• Opinion on compliance for the major federal award program</li> <li>• Report on internal control over compliance</li> <li>• Schedule of Expenditures of Federal Awards</li> </ul>
<b>Audit Scope &amp; Inherent Limitations to Reasonable Assurance</b>	<p>A compliance audit performed in accordance with OMB Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal award program occurred.</p>

## Group Audits

### *Referred-To Auditors*

Our audit strategy included the use of the work of a referred-to auditor, resulting in a division of responsibility over the group financial statements and our report thereon

We did not audit the financial statements of Plum Creek Water Reclamation Authority, the Castle Rock Downtown Development Authority and the Miller's Landing Business Improvement District, a joint venture of the Town, which statements represent 28%, respectively, of the assets and net position of the Wastewater Enterprise Fund and 4% of the assets and 5% of the net position of the Town's business-type activities as of December 31, 2024. We also did not audit the financial statements of the Castle Rock Downtown Development Authority or the Miller's Landing Business Improvement District, which together represent the aggregate discretely presented component units of the Town as of December 31, 2024.

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for Plum Creek Water Reclamation Authority, the Castle Rock Downtown Development Authority and the Miller's Landing Business Improvement District, are based solely on the reports of the other auditors. We have had communications with the other auditors during planning and throughout the audit regarding their qualifications to perform the audit, including independence, and consideration of materiality as a basis for referring to their audit report. Professional standards require that we provide you with information about our responsibilities in accordance with GAAS, as well as certain information related to the planned scope and timing of our audit.

### **Other Information Accompanying the Audited Financial Statements**

The audited financial statements are presented along with management's annual comprehensive financial report and popular annual financial report. Management, or those charged with governance, is responsible for preparing the annual report.

We were not engaged to audit the information contained in the annual comprehensive financial report and popular annual financial report, and as a result, our opinions do not provide assurance as to the completeness and accuracy of the information contained therein.

As part of our procedures, we read the entire reports to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management's attention and review subsequent revisions.

## Auditor Objectives Related to Other Information

Our objectives related to the other information accompanying the audited financial statements were to:

- Consider whether a material inconsistency exists between the other information and the financial statements
- Remain alert for indications that:
  - A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, or
  - A material misstatement of fact exists or the other information is otherwise misleading
- Respond appropriately when we identify that such material inconsistencies appear to exist or when we otherwise become aware that other information appears to be materially misstated. Potential responsive actions would include requesting management to correct the identified inconsistency
- Include the appropriate communication in our auditor's report, disclosing the procedures performed on the Other Information, as well as the results obtained
  - No matters are reportable

## Qualitative Aspects of Significant Accounting Policies & Practices

The following matters are detailed in the following pages and included in our assessment:

**Significant Accounting  
Policies**

**Unusual Policies or  
Methods**

**Alternative Accounting  
Treatments**

**Management Judgments  
& Accounting Estimates**

**Financial Statement  
Disclosures**

**Our Judgment About the  
Quality of the Town's  
Accounting Principles**



## Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- GASB 101, *Compensated Absences*

## Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature):

- No matters are reportable

## Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows.

- No matters are reportable

## Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Valuation of investments
- Useful lives of capital assets
- Valuation of contributed capital
- Net pension liabilities (assets) and related deferred outflows of resources and deferred inflows of resources
- Incremental borrowing rate for lease receivables

## Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Adoption of accounting principles
- Related parties

## Our Judgment About the Quality of the Town's Accounting Principles

During the course of the audit, we made the following observations regarding the Town's application of accounting principles:

- Adoption of GASB 101, *Compensated Absences*

## Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

## Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Remove duplicate entry for loss on joint venture
- Remove duplicate entry for EMS revenue
- Adjust value of long-term receivable relating to CORE Pole Credits

## Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their effect is not currently considered material. We request that all identified misstatements be corrected.

Uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-period financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

***Current Period Uncorrected Misstatements***

- See attached for summary of uncorrected misstatements

***Prior-Period Uncorrected Misstatements***

- See attached for summary of uncorrected misstatements

**Other Required Communications****Significant Issues Discussed with Management*****During the Audit Process***

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Implementation of GASB 101, *Compensated Absences*
- Various financial statements presentation items

**Other Material Communications**

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

## Required Communications Regarding Internal Control (AU-C 265)

### Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Town of Castle Rock, Colorado (the Town), as of and for the year ended December 31, 2024, in accordance with GAAS and GAGAS, we considered the Town's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs 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. However, material weaknesses may exist that have not been identified.

## Categorizing Deficiencies by Severity

### Deficiency

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.



### Significant Deficiency

A significant deficiency is a deficiency, or 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.



### Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the Town's financial statements will not be prevented or detected and corrected on a timely basis.



## Identified Deficiencies

We identified a certain deficiency in internal control that we consider to be a deficiency.

### ***Deficiency***

We observed other matters that we consider to be deficiencies that we communicated to management orally.

#### Journal Entry Review

During our testing we identified instances in which duplicate journal entries had been recorded or the journal entry was recorded incorrectly. We recommend the Town perform training on review of journal entries and implement a tracking mechanism during the month/year end process to ensure multiple entries are not recorded.

## Sharing Our Commitments

Our commitment to our people, clients, integrity and culture are critical to achieving quality in our practice. You can learn more in our [2025 Quality Report](#)

### 2025 Quality Report

March 03, 2025

See assurance insights and our commitment to integrity and helping make tomorrow better than today.





## Attachments

### **Management Representation Letter (Attachment A)**

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

### **Schedule of Uncorrected Misstatements (Attachment B)**

The detail of uncorrected misstatements identified as a result of our engagement are included herein.

# Attachment A

## Management Representation Letter

## Attachment B

### Schedule of Uncorrected Misstatements