
**CASTLE PINES NORTH
METROPOLITAN DISTRICT**
AUDITOR COMMUNICATIONS
DECEMBER 31, 2021

DRAFT FOR
DISCUSSION PURPOSES
ONLY

Board of Directors and Management
Castle Pines North Metropolitan District
Castle Pines, Colorado

We have audited the financial statements of Castle Pines North Metropolitan District (the District) as of and for the year ended December 31, 2021, and have issued our report thereon dated Date. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects Of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2021. We noted no transactions entered into during the year for which there was a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred. There are no instances where we consider a significant accounting practice that is acceptable under the applicable financial reporting framework not to be most appropriate to the particular circumstances of the District.

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures that were brought to the attention of management.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are:

- Management's estimate of the depreciation expense is based upon management's estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the depreciable lives used to calculate depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's recognized proportionate share of the Public Employees' Retirement Association of Colorado's (PERA) net pension liability. We evaluated the net pension liability from the PERA report and the proportionate share of the District to determine if the amount recognized by management was reasonable.

The disclosures to the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the users of the financial statements. The most sensitive disclosures affecting the financial statements are:

- The disclosure of long-term debt in Note 4 to the financial statements
- The disclosure of the employee pension plan in Note 5 to the financial statements

Circumstances That Affect The Form And Content Of The Auditors' Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditors' report. There were no circumstances that caused us to modify our auditors' report.

Matters Resulting In Consultation Outside The Engagement Team

There were no significant matters which resulted in consultation outside of our engagement team.

Difficulties Encountered In Performing The Audit

The transition of the District Manager and the outsourced accounting role during the middle of the audit led to a gap in knowledge and service which significantly delayed the audit. Once the transition of these roles was complete, the new District Manager and the new outsourced accountants did a great job to provide us with the remaining information and were responsive to our requests.

Corrected And Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no such uncorrected misstatements or omitted disclosures of the financial statements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule identifies misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to an entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings Or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Members of the Board and Management of the District and is not intended to be and should not be used by anyone other than these specified parties.

DATE

Attachments

SCHEDULE OF UNCORRECTED MISSTATEMENTS

None noted for the year ended December 31, 2021

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SCHEDULE OF CORRECTED MISSTATEMENTS

Client: **33184.0000 - Castle Pines North Metropolitan District**
 Engagement: **2021 AUD - Castle Pines North Metropolitan District**
 Trial Balance: **TB Database**
 Workpaper: **3010 - Adjusting Journal Entries Report**

| Account | Description | W/P Ref | Debit | Credit |
|---|---|-------------|--------------------------|--------------------------|
| Adjusting Journal Entries JE # 2 | | 5103 | | |
| To correct the cutoff of the Jan. 2022 christmas light expense. | | | | |
| 10-00-00-2100 | Accounts Payable Control | | 19,798.00 | |
| 10-20-00-5434 | Holiday Lighting | | | 19,798.00 |
| Total | | | <u>19,798.00</u> | <u>19,798.00</u> |
| Adjusting Journal Entries JE # 3 | | 5244 | | |
| To record the 2021 compensated absences. | | | | |
| 60-60-00-2240 | Accrued Vacation/Sick Leave | | 7,864.00 | |
| 60-61-00-2240 | Accrued Vacation/Sick Leave | | 8,095.00 | |
| 60-62-00-2240 | Accrued Vacation/Sick Leave | | 4,030.00 | |
| 60-60-00-5111 | Salaries Salaried | | | 7,864.00 |
| 60-61-00-5111 | Salaries Salaried | | | 8,095.00 |
| 60-62-00-5111 | Salaries Salaried | | | 4,030.00 |
| Total | | | <u>19,989.00</u> | <u>19,989.00</u> |
| Adjusting Journal Entries JE # 4 | | 5240 | | |
| To record 2021 pension activity | | | | |
| 60-60-00-2510 | Net Pension Liability | | 58,487.00 | |
| 60-60-00-2514 | Deferred Inflows - Proportionate Share | | 16,378.00 | |
| 60-60-00-2516 | Deferred Outflows - Change in Assumptions | | 23,125.00 | |
| 60-61-00-2510 | Net Pension Liability | | 64,670.00 | |
| 60-61-00-2514 | Deferred Inflows - Proportionate Share | | 16,999.00 | |
| 60-61-00-2516 | Deferred Outflows - Change in Assumptions | | 21,436.00 | |
| 60-62-00-2510 | Net Pension Liability | | 14,583.00 | |
| 60-62-00-2514 | Deferred Inflows - Proportionate Share | | 3,271.00 | |
| 60-62-00-2516 | Deferred Outflows - Change in Assumptions | | 2,740.00 | |
| 60-62-00-2518 | Deferred Inflows - Investment Earnings | | 4,010.00 | |
| 60-60-00-2511 | Deferred Outflows - Investment Earnings | | | 24,022.00 |
| 60-60-00-2512 | Deferred Outflows - Contributions | | | 3,585.00 |
| 60-60-00-2513 | Deferred Outflows - Proportionate Share | | | 2,587.00 |
| 60-60-00-2515 | Deferred Outflows - Experience | | | 5,462.00 |
| 60-60-00-2518 | Deferred Inflows - Investment Earnings | | | 16,388.00 |
| 60-60-00-6000 | Pension Expense | | | 45,946.00 |
| 60-61-00-2511 | Deferred Outflows - Investment Earnings | | | 26,122.00 |
| 60-61-00-2512 | Deferred Outflows - Contributions | | | 4,560.00 |
| 60-61-00-2513 | Deferred Outflows - Proportionate Share | | | 2,574.00 |
| 60-61-00-2515 | Deferred Outflows - Experience | | | 5,747.00 |
| 60-61-00-2518 | Deferred Inflows - Investment Earnings | | | 7,057.00 |
| 60-61-00-6000 | Pension Expense | | | 57,045.00 |
| 60-62-00-2511 | Deferred Outflows - Investment Earnings | | | 5,668.00 |
| 60-62-00-2512 | Deferred Outflows - Contributions | | | 1,330.00 |
| 60-62-00-2513 | Deferred Outflows - Proportionate Share | | | 435.00 |
| 60-62-00-2515 | Deferred Outflows - Experience | | | 1,148.00 |
| 60-62-00-6000 | Pension Expense | | | 16,023.00 |
| Total | | | <u>225,699.00</u> | <u>225,699.00</u> |

SCHEDULE OF CORRECTED MISSTATEMENTS (CONTINUED)

| Adjusting Journal Entries JE # 5 | | 4606 | | |
|--|-------------------------------------|----------------------------|--------------|----------------------------|
| To record the Enterprise PPE additions for 2021 | | | | |
| 60-60-00-1515 | Building and Improvements | 13,248.00 | | |
| 60-60-00-1515 | Building and Improvements | 14,211.00 | | |
| 60-60-00-1515 | Building and Improvements | 208,652.00 | | |
| 60-60-00-1515 | Building and Improvements | 217,685.00 | | |
| 60-60-00-1515 | Building and Improvements | 644,933.00 | | |
| 60-60-00-1520 | Equipment | 20,000.00 | | |
| 60-60-00-1520 | Equipment | 141,543.00 | | |
| 60-60-00-1520 | Equipment | 529,014.00 | | |
| 60-60-00-1520 | Equipment | 1,168,799.00 | | |
| 60-61-00-1520 | Equipment | 13,255.00 | | |
| 60-61-00-1520 | Equipment | 29,046.00 | | |
| 60-61-00-1520 | Equipment | 97,372.00 | | |
| 60-61-00-1540 | Improvements other than Bldg. | 82,852.00 | | |
| 60-61-00-1540 | Improvements other than Bldg. | 170,022.00 | | |
| 60-61-00-1550 | Improvements Const. In Prog | 84,876.00 | | |
| RB-60-01 | Transfer In/ Out | 97,372.00 | | |
| RB-61-1 | Transfer in/Out | 14,211.00 | | |
| RB-61-1 | Transfer in/Out | 20,000.00 | | |
| 60-60-00-5320 | Wells R&M | | 746,699.00 | |
| 60-60-00-5330 | Water Treatment Plant R&M | | 97,372.00 | |
| 60-60-00-5330 | Water Treatment Plant R&M | | 1,377,451.00 | |
| 60-60-00-5360 | Water Distribution R&M | | 154,791.00 | |
| 60-60-00-7746 | Waterline Replacement | | 644,933.00 | |
| 60-61-00-5164 | Engineering Services | | 14,211.00 | |
| 60-61-00-5370 | Collection - Repair and Maintenance | | 20,000.00 | |
| 60-61-00-5370 | Collection - Repair and Maintenance | | 196,774.00 | |
| 60-61-00-5400 | Collection - Emergency Response | | 183,277.00 | |
| RB-60-01 | Transfer In/ Out | | 14,211.00 | |
| RB-60-01 | Transfer In/ Out | | 20,000.00 | |
| RB-61-1 | Transfer in/Out | | 97,372.00 | |
| Total | | <u>3,567,091.00</u> | | <u>3,567,091.00</u> |
| Adjusting Journal Entries JE # 6 | | 4603 | | |
| To record 2021 depreciation related to the Enterprise Fund | | | | |
| 60-60-00-6800 | Depreciation Expense | 938,714.00 | | |
| 60-61-00-6800 | Depreciation Expense | 161,090.00 | | |
| 60-62-00-6800 | Depreciation | 582.00 | | |
| 60-60-00-1600 | Accumulated Depreciation | | 938,714.00 | |
| 60-61-00-1600 | Accumulated Depreciation | | 161,090.00 | |
| 60-62-00-1600 | Accumulated Depreciation | | 582.00 | |
| Total | | <u>1,100,386.00</u> | | <u>1,100,386.00</u> |
| Adjusting Journal Entries JE # 7 | | 4606 | | |
| To move the capital outlay related to the air conditioner and move it into a capital outlay account. | | | | |
| 10-20-00-7604 | Trail Replacement | 69,341.00 | | |
| 10-00-00-5310 | Building R & M | | 69,341.00 | |
| Total | | <u>69,341.00</u> | | <u>69,341.00</u> |
| Adjusting Journal Entries JE # 8 | | 4606 | | |
| Entry booked after we received TB for additional AP accrual to the water fund | | | | |
| 60-60-00-5330 | Water Treatment Plant R&M | 111,524.00 | | |
| 60-60-00-2100 | Accounts Payable Control | | 111,524.00 | |
| Total | | <u>111,524.00</u> | | <u>111,524.00</u> |
| Adjusting Journal Entries JE # 9 | | 4606 | | |
| Reclass of costs out of 60-60-00-5330 per R&M vs Capital Worksheet | | | | |
| 60-60-00-5145 | Accounting and Payroll | 89,443.00 | | |
| 60-60-00-5320 | Wells R&M | 2,421.00 | | |
| 60-60-00-5330 | Water Treatment Plant R&M | 2,421.00 | | |
| 60-60-00-5360 | Water Distribution R&M | 2,421.00 | | |
| 60-60-00-5330 | Water Treatment Plant R&M | | 96,706.00 | |
| Total | | <u>96,706.00</u> | | <u>96,706.00</u> |

SCHEDULE OF CORRECTED MISSTATEMENTS (CONTINUED)

| | | | | |
|--|-------------------------------|----------------------------|--------------|----------------------------|
| Adjusting Journal Entries JE # 10 | | 7005 | | |
| To adjust PCWRA Sewer Fees to have 12 months of expense. | | | | |
| 60-61-00-5167 | PCWRA Sewer Fees | 58,640.00 | | |
| 60-61-00-2100 | Accounts Payable Control | | 58,640.00 | |
| Total | | <u>58,640.00</u> | | <u>58,640.00</u> |
| Adjusting Journal Entries JE # 11 | | 4102 | | |
| To book additional December deposit of lottery proceeds. | | | | |
| 20-00-00-1125 | Colostrust | 14,205.00 | | |
| 20-00-00-4240 | Lottery Proceeds | | 14,205.00 | |
| Total | | <u>14,205.00</u> | | <u>14,205.00</u> |
| Adjusting Journal Entries JE # 12 | | 4603 | | |
| To adjust Work In Process assets for transfers/deletions. | | | | |
| 60-60-00-1520 | Equipment | 306,649.00 | | |
| 60-60-00-1543 | Improvements Water Dist. | 875,369.00 | | |
| RB-60-02 | Loss on Abandonment | 1,020,782.00 | | |
| RB-61-02 | Loss on Abandonment | 17,209.00 | | |
| 60-60-00-1550 | Improvements Const. In Prog | | 2,202,800.00 | |
| 60-61-00-1550 | Improvements Const. In Prog | | 17,209.00 | |
| Total | | <u>2,220,009.00</u> | | <u>2,220,009.00</u> |
| Adjusting Journal Entries JE # 13 | | 1001 | | |
| To reclassify journal entry 6406-17. This entry related to a double payment and went to an R&M expense creating a credit balance, however the entry should | | | | |
| 60-62-00-5350 | Storm Drainage R & M | 2,652.00 | | |
| RB-61-1 | Transfer in/Out | 2,652.00 | | |
| 60-61-00-5350 | Collection - Well Cleaning | | 2,652.00 | |
| RB-62-01 | Transfer In/ Out | | 2,652.00 | |
| Total | | <u>5,304.00</u> | | <u>5,304.00</u> |
| Adjusting Journal Entries JE # 14 | | 4201 | | |
| To reverse the reimbursable income in fund 61 that will not be billed/collected. | | | | |
| 60-61-00-4220 | Reimbursable Income | 99,191.00 | | |
| RB-60-01 | Transfer In/ Out | 99,191.00 | | |
| 60-60-00-1360 | Misc. Receivables | | 99,191.00 | |
| RB-61-1 | Transfer in/Out | | 99,191.00 | |
| Total | | <u>198,382.00</u> | | <u>198,382.00</u> |
| Adjusting Journal Entries JE # 15 | | 4101 | | |
| Entry to ensure COP Fund cash and fund balance are zero, as the unadjusted balance had a negative position. | | | | |
| 10-00-00-5450 | Base Rental Expense | 230,972.00 | | |
| 50-00-10-1990 | Due From Gen Fund CoP Fund | 230,972.00 | | |
| 10-00-50-1990 | Due from Cap. Project General | | 230,972.00 | |
| 50-00-00-4412 | Base Rental Revenue | | 230,972.00 | |
| Total | | <u>461,944.00</u> | | <u>461,944.00</u> |