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April 12, 2023

Honorable Mayor and Members of City Council  
City of Westminster  
4800 West 92<sup>nd</sup> Avenue  
Westminster, Colorado 80031

The purpose of this communication is to summarize various matters related to the planned scope and timing for the December 31, 2022, audits of the financial statements of City of Westminster and of its compliance with specified requirements applicable to its major federal award programs.

Please refer to our contract dated January 17, 2023, for additional information and the terms of our engagement.

## Overview

We will conduct our audits in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform:

The audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. An audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The audit of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget, *Compliance Supplement* that are applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.

## Planned Scope & Timing

### ***Significant Risk Areas***

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and of material noncompliance and propose to address these areas as described:

Opinion Unit	Risk Area	Audit Approach
All	Management override of controls	Review accounting estimates for bias, review journal entries and evaluate business rationale for unusual transactions.
All	Revenue recognition	Test grant, property and sales tax revenues and review for proper cut-off and compliance with requirements and determining recognition.
All	Real estate transactions with third parties.	Review transactions and support for proper approval and accounting recognition.
All	Implementation of New Accounting Standard – GASB 87, <i>Leases</i>	Review management's analysis of applicability and completeness of leases considered for implementation. Test for proper valuation and financial statement presentation.
Single Audit	Compliance with requirements described in the U.S. Office of Management and Budget	Select samples of expenditures charged to grants and test for compliance with federal and grant requirements.

We welcome any input you may have regarding the information discussed above. We also welcome any insight you have related to any other risk areas, or other significant risk areas, that you believe warrant particular attention.

We may identify additional significant risks as we complete risk assessment procedures.

We propose the following timeline:

- Final financial statements and management letter, together with our letter regarding auditor responsibilities, will be provided by May 31, 2023
- Final reports will be issued no later than June 2, 2023

## Contacts

We understand the appropriate person in the governance structure with whom to communicate is the City's Mayor.

If for any reason, any member of the Board of Directors would need to contact us, please call Ms. Karmyn Jeffries at 303.861.4545.

## Accounting & Auditing Matters

The following matters are, in our judgment, relevant to the planned scope of the audit as well as your responsibilities in overseeing the financial reporting process.

Areas include the following:

- Revenue recognition
- Self-insurance liabilities
- Net pension asset and related disclosures
- Net OPEB liability and related disclosures
- Third-party service providers
- Related-party transactions
- Joint venture(s)
- Component units
- Commitments and contingencies
- Significant estimates
- Recording of restricted net position and restricted, committed and assigned fund balances
- Investments and investments valuation
- Debt
- Capital assets
- Expense/expenditures
- Compliance with federal award programs

### ***Adoption of New Accounting Standards***

The City must adopt GASB 87, *Leases*, as of January 1, 2022. Implementation of this standard may affect internal controls over financial reporting. We encourage you to communicate with management regularly regarding recognition of new financial statement amounts, and disclosures upon transition.

### ***Expected Modification of Our Opinion***

An emphasis-of-matter paragraph will be included for the implementation of GASB 87.

### ***Use of Specialists or Other Experts***

We plan to involve the following specialist in our audit:

- Harvest Investments will be used to test the valuation of the investments held by the City

### ***Consideration of Error or Fraud***

One of the most common questions we receive from audit committees is, "How do you address fraud in a financial statement audit?" Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

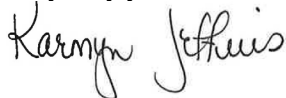
- Engagement team brainstorming
  - Discussions include how and where we believe the entity's financial statements might be susceptible to material misstatement due to error or fraud, how management could perpetrate and conceal fraudulent financial reporting, and how assets of the entity could be misappropriated
  - An emphasis is placed on the importance of maintaining the proper state of mind throughout the audit regarding the potential for material misstatement due to error or fraud

- Inquiries of management and others
  - Personnel interviewed include the Mayor, City Manager, CFO, and others
  - Inquiries are directed towards the risks of error or fraud and whether personnel have knowledge of any fraud or suspected fraud affecting the entity
- Reviewing accounting estimates for bias
- Considering the risk that management may attempt to present disclosures to the financial statements in a manner that may obscure a proper understanding of the matters disclosed (for example, by using unclear or ambiguous language)
- Evaluating business rationale for significant unusual transactions
- Evaluating business rationale for significant transactions with related parties
- Incorporating an element of unpredictability into the audit each year

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This communication is intended solely for the information and use of those charged with governance, Honorable Mayor and Members of City Council and management and is not intended to be and should not be used by anyone other than these parties.

Very truly yours,

A handwritten signature in cursive script that reads "Karmyn Jeffries".

Karmyn Jeffries, CPA  
Director