

May 25, 2023

Honorable Mayor and Members of the City Council  
City of Florence  
Florence, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence (the “City”) for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 January 10, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

As described in Note 10 to the financial statements, the City adopted Statement of Governmental Accounting Standards (GASB Statement) No. 87 - Leases, in fiscal year 2022. No changes were made to the City’s financial statements as a result of the implementation of the new standard.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 City’s financial statements were:

Depreciation Expense: Management’s estimate of the depreciation expense is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining whether it is reasonable in relation to the financial statements taken as a whole.

Statewide Defined Benefit Plan- Fire and Police Pension Association of Colorado (FPPA):  
Management's estimate of its portion of the Net Pension Asset and related revenues, expenses, deferred outflows, and deferred inflows are based on the audited financial statements received from FPPA.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The following material misstatements detected as a result of audit procedures were corrected by management:

We recorded an audit adjustment totaling \$1,246,781 to record the capital asset activity, including depreciation expense, in the City's proprietary fund.

We recorded an audit adjustment totaling \$447,875 to correct the management's entry for debt service payments.

We recorded an audit adjustment totaling \$903,055 to correct management's adjustment of accounts receivable in the proprietary fund.

We recorded an audit adjustment totaling \$168,048 to correct management's adjustment of accounts receivable in the Street Fund and General Fund.

***Disagreements with Management***

For the purpose of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 management representation letter dated May 12, 2023.

***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 the City's financial statements or a determination of the type of auditor's 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 City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the management discussion and analysis, the budgetary comparison schedule and the schedules of the City's proportionate share and contributions related to the FPPA Pension liabilities/assets, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements and schedules and the local highway finance report which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the information and use of the city council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*PB Solutions LLC*

Prospective Business Solutions, LLC  
Littleton Colorado