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April 7, 2024

**Town Board
Town of Granby
P.O. Box 440
Granby, Colorado 80446**

We have audited the financial statements of Town of Granby (the "Town") for the year ended December 31, 2023. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in the Notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is 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.

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 was (were):

Estimated useful lives for depreciation on fixed assets: Management's estimate of depreciation is based on industry practice and experience. We evaluated the key factors and assumptions used to develop the useful lives used in determining depreciation and found that it is reasonable in relation to the financial statements taken as a whole.

Allowance for Uncollectible Accounts: Management's estimate of uncollectible accounts receivable (\$31,112 at December 31, 2023) is based on their experience with customers and developers, together with actual collections history since year-end. We believe this estimate is reasonable relative to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following adjustments have been posted and reflected on the Town's financial statements:

- To capitalize assets and record depreciation.
- To allocate interest income between funds.
- Adjust accrued sick and vacation.
- Adjust accrued wages at year end.

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

As is required in an audit engagement we have requested certain representations from management that are included in the management representation letter.

Recommendations

- **Fleet Fund:** The Town's has set up a fleet fund as an internal service fund. An internal service fund is designed to provide services to other funds through the use of service charges in an amount required to offset operating and replacement costs. The Town's enterprise funds are capitalizing and holding vehicles in each fund. The Town should consider moving all vehicles to the fleet fund and utilizing software to track costs and charge other funds a per mile usage charge. This will allow all enterprise funds to utilize common vehicles while still appropriately tracking costs by fund.
- **School Resource Officer:** Audit procedures indicated the Town failed to bill the School District for the school resource officer provided by the Town. This requirement should be added to the police department's administrative calendar to ensure it does not get missed in future periods.

Tax Credits

On June 14, 2023, the inflation Reduction Act was modified to allow local governments to receive tax credit refunds even though they are not required to pay income taxes. Under the new elective pay rules a government may qualify for a refund for one of the following activities:

- **Clean Vehicle Credits.** If your government purchased a plug-in electric vehicle that draws significant propulsion from an electric motor, you may be eligible for a maximum credit of \$7,500 for qualified vehicles with gross vehicle weight of under 14,000 pounds and \$40,000 for all other vehicles. This includes passenger vehicles, buses, and ambulances.
- **Charging infrastructure.** If your government expended funds for charging infrastructure on your property, you may qualify for a refundable tax credit.

- Solar, geothermal or wind generation projects that have been completed in 2023 or are going to be completed by year end. This can include solar panels on government owned buildings.

These credits will likely be available until 2026.

This report is intended solely for the information and use of the Town Board, management, and others within the organization and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

McMahan and Associates, L.L.C.

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