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April 27, 2023

**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, 2022. 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 (\$22,620 at December 31, 2022) 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. 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

- **Water Meters:** The Town's North Service Water Area Fund had 90 of 752 meters that were unable to be read and uploaded to the water billing software. The Broken meters resulted in manual billing adjustments, estimates, and rereads. The Town has addressed this by ordering new meters using American Recovery Plan funds. Installing these meters as soon as possible will result in more accurate and efficient billing of water. Additionally, reducing the number of broken meters will provide accurate information on water statistics including water loss and water use.
- **Credit cards:** The Town's customers currently can utilize credit cards through the Town website, utilizing – SIPPA pay.gov. Payments can be made for utility billings, recreation fees or other items. Those receipts are then printed in the morning and Maura enters the date into Caselle for utilities and the Recreation department enters the payment into Sportsman software. Currently, SIPPA.pay.gov does not charge the Town for processing fees. Although it may cost the City some processing fees, considerations should be given to a third-party vendor for credit card processing. A vendor that will interface with Caselle and Sportsman would eliminate the need for this manual entry. The Town should consider the additional cost against the increased efficiency and accuracy of limiting manual entries.
- **The Town is currently holding a \$52,418 deposit relating to warranty funds for Granby Ranch Filing 1B, Phase 2, Amendment 1.** Correspondence with the Town's attorney indicated the Subdivision Improvement Agreement provides that if a Developer fails to have Improvements finally accepted, the Town may conduct a final inspection of the improvements. If any improvement is determined to not meet standards, the Town may utilize the funds to complete repair or replace the nonconforming improvement. Prior to using the security for repair or replacement, the Town must notify the Developer of any deficiencies. The Town should consider commencing final inspection of the improvements. If such inspection results in a finding that any improvements do not conform to the standards and specifications required, the Town should notify the Developer of the substantial repair or replacement required. If the Developer fails to make the repairs or replacements requested by the Town within 30 days of notification, the Town may use the warranty funds to complete such repair or replacement. Any notice to the Developer should also provide that the Town has incurred costs related to the inspection of the infrastructure

We will work with you to support implementation of this new standard and the related presentation considerations over the coming years.

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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April 27, 2023