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To the Board of Education Garfield School District RE-2 Rifle, Colorado

We have audited the financial statements of Garfield School District RE-2 (the "District") for the year ended June 30, 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 District are described in the Notes to the financial statements. The District implemented Governmental Auditing Standard Board Statement 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. No other 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 were:

- Estimated Net Pension Liability and Pension-Related Deferred Inflows and Outflows: These estimates are based on actuarial calculations and assumptions provided by the Public Employees Retirement Association of Colorado.
- Estimated Net Other Post-Employment Benefit's Deferred Inflows and Outflows: These estimates are based on actuarial calculations and assumptions provided by the Public Employees Retirement Association of Colorado.
- Estimated discount rate and term extension for lease liability and leased assets
- Estimated discount rate for subscription liability and intangible assets
- Estimated useful lives for depreciation on fixed assets: Management's estimate is based on industry practice and experience.

We evaluated the key factors and assumptions used to develop these estimates and found them reasonable in relation 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. No such misstatements were identified during the course of our audit of the Districts 2023 financial statements.

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

In planning and performing our audit of the District's financial statements as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

We noted certain matters relating to opportunities for improvement of internal controls and day-to-day operations, which are presented for your consideration below.

Vendor Management

Due to the increased fraud risks associated with vendor management as well as the increase in incidences of fraud, we recommend the District implement a vendor management/vendor update policy. This policy should outline the proper steps for updating vendor information to ensure all changes to vendors are legitimate, accurate and properly reviewed for any errors. This would reduce the risk of erroneous or fraudulent vendor changes as well as provide the District with a documented process for staff to follow.

Capitalization Guidance

The GASB issued Implementation Guide No. 2021-1 effective for reporting periods beginning after June 15, 2023, which clarifies question 5.1 in Implementation Guide No. 2015-1, stating that governments should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant.

This report is intended solely for the information and use of the Board of Education, 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.
McMahan and Associates, L.L.C.
February 28, 2024