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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, 2024. 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. 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 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 2024 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, 2024, 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.

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.

There are several steps required if the District qualifies and we can assist with the application.

Recommendations (continued)

GASB 102

Financial reporting standards for the District are promulgated by the Governmental Accounting Standards Board ("GASB"), which has issued Statement No. 102, *Guidance in Disclosures of Certain Risks* ("GASB 102"). GASB 102 requires the disclosure of essential information about risks to vulnerabilities due to certain concentrations and constraints. GASB 102 defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources – for example, a small number of companies that represent a majority of employment in a government's jurisdiction, or a government that relies on one revenue source for most of its revenue. GASB 102 also defines a constraint as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority – such as a voter-approved property tax cap or a state-imposed debt limit. Concentrations and constraints may limit a government's ability to acquire resources or control spending. Under GASB 102, governments are required to disclose information about a concentration or constraint if they meet the following criteria:

- The concentration or constraint is known to the government prior to issuing the financial statements.
- The concentration or constraint makes the government vulnerable to the risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The disclosures should include a description of the concentration or constraint, each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has begun to occur prior to the issuance of the financial statements, and actions taken by the government to mitigate the risk prior to the issuance of the financial statements. GASB 96 is effective for reporting periods beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Activity Funds

The Districts School Secretaries receive Activity Funds. Funds are either put into the PowerSchool cash receipting system or a handwritten receipt is prepared. The funds are then provided to another individual to compare the receipts and prepare a deposit. The District should consider the following improvements in internal controls:

- All receipts should be entered into Power School cash receipting software at the point of sale. No handwritten receipts should be allowed. This may require setting up a general account for deposits not applicable to individual students.
- The deposit should be made by the school secretary or person receiving cash and the deposit slip should be reconciled to the power school report by an individual who does not have access to the cash.

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.
Avon, Colorado
December 30, 2024**