



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, Avon, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

To the Board of Education Gunnison Watershed School District RE-1J Gunnison, Colorado

We have audited the financial statements of Gunnison Watershed School District RE-1J 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.

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 District 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 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 the useful lives used in determining depreciation and found that it is reasonable in relation to the financial statements taken as a whole.
- 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 Benefits Liability and related Deferred Inflows of Resources, and Deferred Outflows of Resources: These estimates are based on actuarial calculations and assumptions provided by the Public Employees Retirement Association of Colorado.
- Pupil Count: Management makes a count of all pupils every October. If that count differs upon audit by CDE, the District's per pupil funding could retroactively change.

Difficulties Encountered in Performing the Audit

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

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

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 District had no material misstatements at year end.

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:

Vendor Management

Due to the increased fraud risks associated with vendor management as well as the increase in incidences of fraud, the District should implement a comprehensive 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.

Tax Credits now Available

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 but an application will be required prior to May 15, 2024.

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.
November 30, 2023**