



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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## **To the Town Council Town of Marble, Colorado**

We have audited the financial statements of the Town of Marble, Colorado (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 standards were adopted the year. We noted no transactions entered into during the year for which there is a lack of authoritative guidance or consensus.

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 capital assets along with related depreciation and accumulated depreciation, and the loan payable, which requires further information and corroboration with the Marble Water Company on the terms and balances of principal and interest due.

### ***Difficulties Encountered in Performing the Audit***

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

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the engagement, other than those that are trivial, and communicate them to the appropriate level of management. The prior year audit journal entries recorded, but not all reversed, and therefore were mostly repeated again this year. The accounting records were maintained on a cash basis, and entries were required to convert to accrual basis.

The following additional entries were also recorded:

- Reverse prior years accounts payable accruals and journal entries (\$37,290)
- Reverse prior year accounts receivable accruals (\$13,291)
- Post entries to agree the January 1, 2022 beginning fund balance to the December 31, 2021 ending fund balance per the audited financial statements (General Fund - \$106,352, Water Fund - \$55,349)
- Accrue current year-end accounts receivable and accounts payable accruals (\$10,277 and \$10,258, respectively)
- Remove duplicate recorded C-Safe cash account to correct fund balance (\$149,952)
- Record budgeted interfund transfer from General Fund to Conservation Trust Fund (\$25,000)

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### ***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 basic financial statements of the District as of and for the year ended December 31, 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 audit procedures that are appropriate in the circumstances 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Town's internal control to be a material weakness:

#### ***Audit Reconciliations and QuickBooks database***

During the audit, we performed reconciliations of accounts and recommended 17 adjusting journal entries required to correct accounts. We also drafted the financial statements for the Town. Performing reconciliations, recommending several journal entries, and drafting the financial statements threatens our independence as auditors. We recommend that the Town annually reconcile all balance sheet accounts, and post year-end accrual entries.

***Recommendations (continued)***

The following items are not considered material weaknesses but are opportunities for improvement of the Town's day-to-day operations.

*Employee Personnel Files*

During our review of the payroll processing cycle, evidence of hourly pay for a selected employee could not be located. We understand that the Town employs a small number of personnel and typically negotiate beginning pay rates verbally based upon experience and expected responsibilities. Employee files should include all approved salaries and on-boarding documents so that, at any point in time, the employee's current payroll and employment data can be verified.

In our discussion with Town management during the audit, it was noted that the Town is still working on getting an employee handbook in place, and that the Town has contracted an attorney that specializes in employment laws to assist to get the manual written.

*Employer's Quarterly Federal Tax Returns*

The Town is required to file *Form 941, Employer's Quarterly Federal Tax Return*, by the last day of the month following the end of each quarter. In 2023, the Town received two notices from the IRS regarding balances remaining due on Q2 2022 and Q3 2022, which resulted in fines and penalties incurred in the amount of \$1,767, in addition to tax deposits due. When the Town files the quarterly 941, a reconciliation should be performed to ensure any remaining tax deposits that haven't been remitted are made at such time. The Town may utilize the Electronic Federal Tax Payment (EFTPS) system to file these forms and make payments, to avoid paper mailing.

*Deficit Fund Balance/Net Position*

At December 31, 2023, the Conservation Trust Fund and Water Fund reported a deficit fund balance/net position of \$21,332 and \$201,727, respectively. During the 2023 audit, we assisted the Town to record the budgeted interfund transfer in the amount of \$25,000 from the General Fund to the Conservation Trust Fund. Deficit fund balances/net position could lead to potential debt, higher interest payments, lower return on investments, and inability to meet routine operating expenses in the year of an unanticipated revenue shortfall. We recommend the Town budget and make necessary transfers to decrease the deficits in these reported funds.

This report is intended solely for the information and use of the Town Council, 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.**  
Avon, Colorado  
July 6, 2024