



McMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

WEB SITE: WWW.McMAHANCPA.COM

MAIN OFFICE: (970) 845-8800

To the Town Council Town of Marble, Colorado

We have audited the financial statements of the Town of Marble, Colorado (the "Town") as of and for the year ended December 31, 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 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. 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:

- Estimating the allowance for uncollectible accounts (none at December 31, 2024), based on management's experience, together with actual collections history since year-end.
- Estimating useful lives of fixed assets, in connection with the calculation of depreciation, based on industry standards and perceived use of asset categories.
- Estimating the discount rate, lease term, and lease payments used to determine present value of lease arrangements.

We evaluated the key factors and assumptions used to develop these estimates and found them to be 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.

Member: American Institute of Certified Public Accountants

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 (\$10,702)
- Reverse prior year accounts receivable accruals (\$11,618)
- Post entries to agree the January 1, 2024 beginning fund balance to the December 31, 2023 ending fund balance per the audited financial statements (General Fund - \$123,976, Water Fund - \$65,854)
- Accrue current year-end accounts receivable (\$12,135)
- Accrue current year-end accounts payable (\$13,522)
- Remove duplicate recorded C-Safe cash account to correct beginning fund balance (\$149,952)
- Post beginning balances for lease receivable (\$171,925) and record 2024 amortization of receivable (\$20,933), subsequent to adjustment for remeasurement.
- Reclassify remittance of sales taxes to the State of Colorado as a reduction of campground/store revenue, from liability at December 31, 2024.

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, 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 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.

Recommendations (continued)

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 14 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.

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

Adding Account Numbers in QuickBooks Online

The Town utilizes QuickBooks Online for its financial reporting and accounting system. We have that assigning account numbers to the chart of accounts results in fewer posting errors and organizes your data in a logical, sequential manner. It also will greatly assist in the audit process.

Locking QuickBooks Database

While posting entries to correct beginning fund balance, we identified transactions that were recorded to fiscal year 2023, after remittance of the 2023 books to the auditors. As a result, additional audit time was incurred, after reconciling the differences, to post the transactions retroactively entered into 2023, as a 2024 transaction. We recommend the District lock the fiscal year on an annual basis, once books are provided to the auditors, which will provide a warning if a transaction is being entered into the previous fiscal year to avoid this issue in the future.

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, sees little turnover, and typically negotiates beginning pay rates verbally based upon experience and expected responsibilities. However, 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. We recommend the Town create a simple employee file that includes a document signed both by the employee and the employee responsible for approval of pay rates.

Deficit Fund Balance/Net Position

At December 31, 2024, the Conservation Trust Fund and Water Fund reported a deficit fund balance/net position of \$9,965 and \$169,132, respectively. 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. While both deficits were decreased in 2024, we recommend the Town budget and make necessary transfers to decrease the deficits in these reported funds.

Recommendations (continued)

General Fund – Strength of Fund Balance

As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance at December 31, 2024 represents 93.7% of current year expenditures. In other words, the Town's General Fund balance appears to have adequate fund balance to cover 1 year, or anticipated 2025 appropriations of \$385,000, excluding transfers out to other funds to resolve deficit fund balances and net positions, assuming revenues remain constant between years. While we are aware the Town budgets conservatively and only spends where necessary, the Town relies primarily on sales tax and campground revenues, which are subject to economic impacts and uncertainties, and could impact the Town unexpectedly.

New Financial Reporting Standard

Financial reporting standards for the Town 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(s) associated with the concentration or constraint that could cause a substantial impact has occurred, has begun to occur, or is 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 102 is effective for reporting periods beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. We will work with the Town to assist with implementation of this new standard.

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,

A handwritten signature in blue ink that reads "McMahan and Associates, L.L.C." in a cursive, flowing script.

McMahan and Associates, L.L.C.
Avon, Colorado
July 28, 2025