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To the Mayor and Members of Town Council Town of Vail, Colorado

We have audited the financial statements of Town of Vail, Colorado (the "Town") as of and for the year ended December 31, 2019. Professional standards require that we provide you with the following information related to our audit.

Qualitative Aspects of Accounting Practices

The Town's management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note I to the 2019 audited 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 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 are:

- Estimating allowance for uncollectible receivables (\$1,000 at December 31, 2019), based on management's experience with customers and other business partners, together with actual collections history since year-end.
- Estimating useful lives of fixed assets, based on industry standards and perceived use of asset categories.

We evaluated the key factors and assumptions used to develop these assumptions 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.

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. Management has corrected all such misstatements prior to finalization of the 2019 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.

Member: American Institute of Certified Public Accountants

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Management Representations

As is required in all audit engagements, we have requested certain representations from management that were included in the management representation letter.

Recommendations

In the course of our audit, we noted the following opportunities for improvement of the Town's internal control and day-to-day operations.

Segregation of Duties

The objectives of internal control are to provide reasonable, but not absolute assurance, that assets are safeguarded and financial statements are reliable. Segregation of accounting duties is an essential element of effective internal controls involving the separation of custody of assets from related recording and monitoring of transactions. To reduce the possibility of errors or fraud going undetected in the normal course of business, we encourage the Town to limit, to the extent possible, performance of incompatible duties by individuals in the Town's accounting functions. We noted that the Accounting Manager had access to all aspects of the accounts payable cycle, including access to checks, signing authority, access to the accounting system, and reconciliation of the bank statements. We recommend that the Accounting Manager does not have check signing authority in order to compensate for the lack in segregation of duties. Management has already implemented this change and no further action is necessary.

New Financial Reporting Standards

Financial reporting standards for the Town are promulgated by the Governmental Accounting Standards Board ("GASB"). During 2017, GASB issued Statement 87, *Leases* ("GASB 87"), which will require that governments report certain lease assets and liabilities for leases that previously were classified as operating leases, and recognize inflows or outflows of resources based on the payment provisions of each such contract.

GASB has also issued Statement 84, *Fiduciary Activities* ("GASB 84"), which will require that governments disaggregate certain additions in the Statement of Changes in Fiduciary Net Position.

In May 2020, GASB issued Statement 95 in response to delays resulting from the COVID-19 pandemic, which postponed the implementation of GASB 87 to fiscal periods beginning after June 15, 2021 and GASB 84 to periods beginning after December 15, 2019. We will work with Town staff in the interim to assist with the necessary calculations and presentation considerations.

This report is intended solely for the information and use of the Town Council of the Town of Vail, Colorado, its 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 "McMahon and Associates, L.L.C.".

McMahan and Associates, L.L.C.
May 27, 2020