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**The Honorable Mayor and Fraser Town Board
Town of Fraser
P.O. Box 120
Fraser, Colorado 80442**

We have audited the financial statements of the Town of Fraser for the year ended December 31, 2021. 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 of Fraser 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 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 of useful lives 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 allowance for uncollectible accounts receivable (\$0) at December 31, 2021 Management's estimate is based on their experience with utility customers and developers, together with actual collections history since year-end. We believe this estimate is reasonable relative 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 reporting the Town's year-end financial report. The following material misstatements were corrected by management prior to issuance of the audited financial statements:

- Capitalize capital asset additions and record depreciation expense.
- Adjust Joint Facilities Fund reserve accounts for reserve activities.

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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.

Governmental Accounting Standards Board Statement 87

Financial reporting standards for the Town are promulgated by the Governmental Accounting Standards Board ("GASB"). GASB has issued Statement 87 ("GASB 87"), which will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is required to be implemented for periods beginning after June 15, 2021, So the Town's financial statements as of and for the year ending December 31, 2022, must reflect the changes imposed by this new reporting standard. Early implementation of GASB 87 is permitted.

We will work with you to support implementation of this new standard and the related presentation considerations over the coming years.

Recommendation

Restrictively endorsing Checks received.

It was noted that checks do not always get restrictively endorsed when they are received/opened. This is done part of the time but not all of the time. It is recommended that checks be restrictively endorsed immediately to limit risk associated with these.

Review and Initial of Void Report.

A void report for cash receipts is not currently being run, reviewed, and initialed to indicate completion of review. It is recommended that these reports be run monthly and reviewed by the finance manager to ensure that all voids being made are appropriate and are approved.

Review and Initial of Utility Billing Adjustments.

A utility billing adjustment report is not currently being run, reviewed, and initialed to indicate completion of review. It is recommended that these reports be run monthly and reviewed by the finance manager to ensure that all adjustments associated with utility billing being made are appropriate and are approved.

This report is intended solely for the information and use of the Town Board, 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.
July 10, 2022