



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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June 16, 2022

**Town Council  
Town of Basalt  
101 Midland Avenue  
Basalt, Colorado 81621**

We have audited the financial statements of Town of Basalt (the "Town") 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 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 governmental unit 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 was (were):

Estimated Total Pension Liability: This estimate is based on actuarial calculations and assumptions provided by Colorado's Fire and Police Pension Association.

Estimated useful lives for depreciation on fixed assets: Management's estimate of depreciation 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.

Allowance for Uncollectible Accounts: Management's estimate of uncollectible accounts receivable is based on their experience with customers and developers, together with actual collections history since year-end. At December 31, 2021, there was no allowance for uncollectible accounts, since all receivables are considered collectible. We believe this estimate is reasonable relative to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered the no significant difficulties during the audit.

*Member: American Institute of Certified Public Accountants*

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### *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. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *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 the course of our audit, we noted the following opportunity to improve internal control and day-to-day business practices.

### **Management Oversight**

Because of the small size of the Town's accounting staff, adequate segregation of duties in respect of accounting functions cannot always be achieved. The basic premise of internal control systems is that no single employee should have access to both physical assets, and the related accounting records, or to all phases of a transaction. Accordingly, we recommend that the Board and management continue to actively monitor the accounting system, through the review of quarterly financial statements, and related reconciliations.

### **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 December 15, 2019. However, due to delays caused by the COVID-19 pandemic, GASB has issued Statement 95, which postpones the implementation of GASB 87 to periods beginning after June 15, 2021.

We have already discussed these comments with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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.*  
**McMahan and Associates, L.L.C.**  
**June 16, 2022**