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Preliminary Draft

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To the Honorable Mayor and City Council City of Salida, Colorado

We have audited the financial statements of the City of Salida for the year ended December 31, 2020. 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 City of Salida are described in the Notes to the financial statements.

No new accounting policies were adopted and the application of other existing policies was not changed during the year.

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 estimate(s) affecting the financial statements was:

Estimated useful lives for depreciation on capital 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.

Estimated Net Pension Liability and Pension-Related Deferred Inflows and Outflows: These estimates are based on actuarial calculations and assumptions provided by the Fire & Police Pension Association of Colorado and Colorado Public Employees Retirement Association.

Difficulties Encountered in Performing the Audit

We encountered no 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 2020 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.

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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 opportunities for improvement of the City's internal control and day-to-day operations.

Steamplant Event Center

In prior years, we recommended that the Steamplant Event Center begin using a point of sale system in order to track all receipts and perform appropriate reconciliations on sales. During 2020, low activity due to the pandemic resulted a delay in system implementation due to lack of need. Management intends to implement an appropriate point of sale system during the 2021 season.

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 No. 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 was required to be implemented for periods beginning after December 15, 2019. However, due to the COVID-19 pandemic, the effective date has been postponed to periods beginning after June 15, 2021.

This report is intended solely for the information and use of City 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.