

Estes Park Local Marketing District

Audit Wrap Up
July 7, 2020



This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management, and is not intended and should not be used by anyone other than those specified parties.



July 7, 2020

Board of Directors
Estes Park Local Marketing District
1230 Big Thompson Avenue
Estes Park, Colorado 80517

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We presented an overview of our plan for the audit of the financial statements of Estes Park Local Marketing District (the District) as of and for the year ended December 31, 2019, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the District's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Visit Estes Park and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

ACM LLP

Discussion Outline

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Status of Our Audit

We have substantially completed our audit of the financial statements as of and for the year ended December 31, 2019. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements whether due to error or fraud.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications, except that in light of the COVID-19 pandemic, we have performed additional procedures over going concern assumptions used in determining the District's ability to continue as a going concern entity.
- ▶ We expect to issue an unmodified opinion on the financial statements
- ▶ Our responsibility for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the District and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by ACM were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of District personnel throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the District's accounting practices, policies, and estimates.

The District's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- There were no changes in significant accounting policies and practices during 2019.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The District's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in Note 1 of the financial statements.

- Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2019.

Primary Areas of Focus and Considerations and Findings

Revenue Recognition: The District's major source of revenue consists of lodging taxes. Lodging taxes are recognized as revenues in the month for which they are collected by the Colorado Department of Revenue. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Accounts Receivable and Allowances: Accounts receivable represents amounts due from the Colorado Department of Revenue for lodging taxes and amounts due for advertising from participating businesses. No allowance is made for bad debts as collection is considered assured.

Pension Reporting: The District has a defined benefit plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The PERA plan is a cost-sharing, multiple-employer defined benefit plan. Due to the inherent complexities, and significant estimates required to properly account for the net pension liability, and related deferred inflows and deferred outflows of resources, we devoted substantial time in our audit to this area.

Evaluation of Going Concern: No going concern issues were noted during our audit.

Evaluation of Estimates: Estimates were determined to be reasonable and free of bias.

Results of Our Audit

CORRECTED AND UNCORRECTED MISSTATEMENTS

Please refer to the schedule of corrected misstatements or Adjusting Journal Entries (“AJEs”). There were no uncorrected misstatements or Passed Adjusting Journal Entries (“PAJEs”).

QUALITY OF THE DISTRICT’S FINANCIAL REPORTING

A discussion was held regarding the quality of the District’s financial reporting, which included the following:

- ▶ Qualitative aspects of significant accounting policies and practices
- ▶ Our conclusions regarding significant accounting estimates
- ▶ Significant unusual transactions
- ▶ Financial statement presentation
- ▶ New accounting pronouncements
- ▶ Alternative accounting treatments

Internal Control Over Financial Reporting

In planning and performing our audit of the District’s financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing and in a timely manner, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the District’s internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	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.
Significant Deficiency	A deficiency or 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.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted the following material weakness.

Title	Description
Material adjusting journal entries	During the audit it was noted that prior year adjusting journal entries had not been recorded. ACM posted these to appropriately state 2019 balances.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the District:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the District's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about significant accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent accountants on the application of generally accepted accounting principles.
Our evaluation of the District's relationships and transactions with related parties and their impact on the financial statements	We have evaluated the District's process to identify, authorize and approve, account for, and disclose its relationships and transactions with related parties and noted no significant issues.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the District's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
If applicable, other matters significant to the oversight of the District's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the District's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter to you describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the District with respect to independence as agreed to by the District. Please refer to that letter for further information.

GASB Standards

SUMMARY OF STATEMENT NO. 95 POSTPONEMENT OF THE EFFECTIVE DATES OF CERTAIN AUTHORITATIVE GUIDANCE (ISSUED 05/20)

- ▶ The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

- ▶ The effective dates of certain provisions contained in the following pronouncements are postponed by one year:
 - Statement No. 83, Certain Asset Retirement Obligations
 - Statement No. 84, Fiduciary Activities
 - Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
 - Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
 - Statement No. 90, Majority Equity Interests
 - Statement No. 91, Conduit Debt Obligations
 - Statement No. 92, Omnibus 2020
 - Statement No. 93, Replacement of Interbank Offered Rates
 - Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
 - Implementation Guide No. 2018-1, Implementation Guidance Update—2018
 - Implementation Guide No. 2019-1, Implementation Guidance Update—2019
 - Implementation Guide No. 2019-2, Fiduciary Activities.

- ▶ The effective dates of the following pronouncements are postponed by 18 months:
 - Statement No. 87, Leases
 - Implementation Guide No. 2019-3, Leases.

- ▶ Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB STATEMENT NO. 87, LEASES

- ▶ This standard will require recognition of certain lease assets and liabilities for leases that are currently classified as operating leases.
- ▶ New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period in an exchange or exchange-like transaction.
- ▶ Eliminates the distinction between operating and capital leases.
- ▶ Excludes short-term leases.
- ▶ Excludes leases that transfer ownership and service concession arrangements that are covered by GASB Statement No. 60.

- ▶ Lessees would recognize a lease liability and an intangible right-to-use lease asset which would be amortized in a systematic and reasonable manner over the shorter of the lease term or the useful life of the underlying asset.
- ▶ Lessors would recognize lease receivable and deferred inflow of resources which would be recognized as revenue in a systematic and rational manner over the term of the lease.

GASB STATEMENT NO. 89, ACCOUNTING FOR INTEREST COST INCURRED BEFORE THE END OF A CONSTRUCTION PERIOD

- ▶ Upon implementation, in financial statements using the economic resources measurement focus (business-type activities and enterprise Districts) interest incurred during construction should be recognized as an expense of the period.
- ▶ Interest costs on construction-in-progress will be capitalized only to the implementation date of this Statement. The provisions of this Statement are to be applied prospectively and will therefore not require a restatement of any balances.
- ▶ In financial statements using the current financial resources measurement focus, interest incurred during construction should be recognized as an expenditure (no change).
- ▶ If a government has regulated operations as defined by paragraph 476 of GASB Statement No. 62, this Statement does not eliminate or remove the requirement to capitalize qualifying interest costs as a regulatory asset.

Cybersecurity

The board’s role in the oversight of organizational risk is increasingly complicated by cybersecurity concerns. Trustees need to maintain continual knowledge about evolving cyber issues and management’s plans for allocating resources and otherwise responding to cyber risks. Such knowledge helps boards assess the priorities and investment decisions made by management in critical areas. Often, particularly in smaller organizations, those charged with governance oversee and monitor management’s strategy for protecting its digital assets.

In April 2017, the AICPA published the new [Cybersecurity Risk Management Reporting Framework](#) to its website –also known as “SOC (System and Organization Controls) for Cybersecurity”–that provides entities with a proactive approach for designing a risk management program and communicating about its effectiveness to their senior management teams, boards, and external stakeholders. The board of directors is urged to refer to BDO’s [SOC for Cyber](#) resources to learn more about attestation serves with respect to management programs.

Here are recent tools/materials for use by those charged with governance in this area:

Recommended Resources	Release Date
BDO Webinar: Cybersecurity - Resources Boards Want to Know About	August 22, 2018 September 27, 2018
CAQ’s Cybersecurity Risk Management Oversight : A Tool for Board Members	April 2018
BDO Archived Webinar: What’s on the Minds of Boards?	November 2017
Are You Cyber Aware?: 10 Cybersecurity Questions for Senior Executives?	October 2017
Cyber Risk Management: What You Need to Know Now	October 2017
2017 BDO Cyber Governance Survey	September 2017
Breaking Down the Equifax Data Breach	September 2017
BDO Knows Cybersecurity: Petya Cyber Attack	June 2017
BDO Highlights Important DHS - FBI Cyber Alert on North Korea - Hidden Cobra	June 2017
Introducing SOC for Cybersecurity: Translating Cyber Risk For Every Stakeholder	June 2017

Year End: December 31, 2019
 Adjusting journal entries
 Date: 1/1/2019 To 12/31/2019
 Account No: 1 To 99

Started by ALH 6/10/2020	Completed by ALH 6/10/2020	Reviewed by
Reviewed by	Partner	

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	12/31/2019	LMD Taxes Rec-CO Dept Revenue	1300	PY CW FILE		140,031.00			
1	12/31/2019	Prepaid Expenses	1390	PY CW FILE		1,762.00			
1	12/31/2019	Prepaid Expenses	1390	PY CW FILE		3,599.00			
1	12/31/2019	Office Equipment	1415	PY CW FILE			3,599.00		
1	12/31/2019	Accumulated Depreciation	1416	PY CW FILE			198.00		
1	12/31/2019	Accounts Payable	2000	PY CW FILE					
1	12/31/2019	Retained Earnings	2900	PY CW FILE			1.00		
1	12/31/2019	Retained Earnings	2900	PY CW FILE			1,762.00		
1	12/31/2019	Retained Earnings	2900	PY CW FILE			164,350.00		
1	12/31/2019	Retained Earnings	2900	PY CW FILE			61,675.00		
1	12/31/2019	Retained Earnings	2900	PY CW FILE		198.00			
1	12/31/2019	Retained Earnings	2900	PY CW FILE		404.00			
1	12/31/2019	Retained Earnings	2900	PY CW FILE			140,031.00		
1	12/31/2019	Print - Magazines	4512	PY CW FILE		25,000.00			
1	12/31/2019	Broadcast - TV & Radio	4513	PY CW FILE		15,000.00			
1	12/31/2019	Digital	4521	PY CW FILE		110,000.00			
1	12/31/2019	Pay-Per-Click	4523	PY CW FILE		5,000.00			
1	12/31/2019	Local Sponsorships	4535	PY CW FILE		4,350.00			
1	12/31/2019	Local Sponsorships	4535	PY CW FILE		5,000.00			
1	12/31/2019	Media Fam Tours	8600	PY CW FILE		1.00			
1	12/31/2019	Net pension expense	9681	PY CW FILE		61,675.00			
1	12/31/2019	Net OPEB expense	9682	PY CW FILE			404.00		
To roll retained earnings									
2	12/31/2019	Accumulated Depreciation	1416	M. 1			6,869.00		
2	12/31/2019	Depreciation	9630	M. 1		6,869.00			
To book depreciation for 2019.									
4	12/31/2019	LMD Taxes Rec-CO Dept Revenue	1300	10.01		28,033.00			
4	12/31/2019	District Tax Fund	3000	10.01			28,033.00		
Entry to true up taxes receivable and revenue to record for month earned instead of month reported.									
5	12/31/2019	Deferred Outflows of Resources - Pension	1501	FF.03. 02		142,637.00			
5	12/31/2019	Deferred Inflows of Resources - Pension	2701	FF.03. 02		189,305.00			
5	12/31/2019	Net Pension Liability	2801	FF.03. 02			116,540.00		
5	12/31/2019	Retained Earnings	2900	FF.03. 02					
5	12/31/2019	Net pension expense	9681	FF.03. 02			215,402.00		
To account for 2019 GASB 68 activity									
Factual									
6	12/31/2019	Deferred Outflows of Resources - OPEB	1502	FF.04. 03		4,728.00			
6	12/31/2019	Deferred Inflows of Resources - OPEB	2702	FF.04. 03		5,239.00			
6	12/31/2019	Net OPEB Liability	2802	FF.04. 03			5,610.00		
6	12/31/2019	Retained Earnings	2900	FF.04. 03					
6	12/31/2019	Net OPEB expense	9682	FF.04. 03			4,357.00		
To adjust for 2019 OPEB activity									
Factual									
						748,831.00	748,831.00		
Net Income (Loss)			(167,167.00)						