



July 10, 2013

To the Town Council
Town of Mountain Village, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Mountain Village for the year ended December 31, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 10, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Mountain Village, Colorado are described in Note A to the financial statements. During the year ended December 31, 2012 the Town implemented the provisions of GASB's 63 and 65.

Government Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, establishes and defines deferred outflows of resources and deferred inflows of resources as elements of the statement of net position separate from assets and liabilities.

Government Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effect on the Town of Mountain Village is that balances previously reported as deferred revenues for property taxes are now reported as deferred inflows of resources. Balances previously reported as an offset to debt for deferred losses on debt defeasance in the governmental activities are now deferred outflows of resources and the business-type activities rate swap deferral is now classified as a deferred outflow of resources. Additionally, balances previously reported as assets for issuance costs related to debt have been recognized as expense in the period that they were incurred through a prior period adjustment due to a change in accounting principle.

We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 Town's financial statements were:

Management's estimate of the depreciation expenses is based on the estimated useful lives of the assets being depreciated. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value of the swap mark to market is based on using the zero-coupon method. We evaluated the key factors and assumptions used to develop the fair value in determining that it is reasonable in relation to the financial statements taken as a whole.



The financial statement disclosures are neutral, consistent, and clear.

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 clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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

We have requested certain representations from management that are included in the management representation letter dated July 10, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Town Council and management of the Town of Mountain Village and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Chadwick, Steinkirchner, Davis & Co., P.C.

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