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DRAFT

**To the Board of Directors
Park Plaza Condominium Association
Beaver Creek, Colorado**

We have audited the financial statements of Park Plaza Condominium Association (the "Association") as of and for the year ended November 30, 2017. 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 Association are described in note 2 to the audited 2017 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 Association 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 estimate affecting the financial statements was:

- Estimating allowance for doubtful accounts (an allowance of \$- has been established at November 30, 2017), based on management's experience with owners and guests, together with actual collections history since year-end.

We evaluated the key factors and assumptions used to develop this estimate and found them reasonable in relation to the financial statements taken as a whole.

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 reporting the Association's year-end financial report. 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.

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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 all audit engagements, we have requested certain representations from management that are included in the management representation letter.

Recommendations

In the course of our audit, we noticed the following opportunities for the Association to improve internal controls and processes, which are presented below for your review and consideration:

Implementation of Replacement Fund Accounting for Residential Limited Common Elements and General Common Elements

The Association currently has one fund balance to cover all operations of the Association. Although reserves are maintained in an investment account, we recommend that the Association separately create funds designating replacement fund balances, revenues, and expenses of the Residential Limited Common Elements and General Common Elements. This will assist in tracking the allocation of funds by owner type. We noted that the Association's Investment Policy dated March 14, 2013, also recommends that a Reserve Fund be implemented as a projected source of funding for work recommended by the Reserve Study. Tracking replacement funds separately will allow for a closer comparison of actual results against the replacement study's anticipated results.

Accounting for replacement revenues and expenditures in each element will help the Association determine how to account for types of expenses and maintain a more accurate fund balance for Reserve Studies.

This report is intended solely for the information and use of the Association's Board of Directors, 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.
January 24, 2018