TAHOE DONNER ASSOCIATION ASSOCIATION

REPORT TO THE BOARD OF DIRECTORS

For the Year Ended December 31, 2019

1. This is our report on the Tahoe Donner Association December 31, 2019 financial statements and our audit report.

2. The Board of Directors engaged our firm to audit the financial statements of the Association. Our opinion on the financial statement is unmodified, or a "clean" opinion. The audit report is ours; the financial statements are representations of management.

   We reached our opinion after performing procedures and tests on the books and records. We do this in order to have reasonable assurance about whether the financial statements are free of material misstatement. We also assess the accounting principles used by management and the estimates used in the financial statements.

3. Questions and answers regarding the financial statements.

4. Matters to be communicated

   a. Auditor responsibility – An audit conducted under generally accepted auditing standards is designed to obtain reasonable, rather than absolute, assurance about the financial statements.

   b. Accounting policies/accounting estimates – Significant accounting policies are described in Note 2 to the financial statements. Significant estimates include the straight-line method for depreciation, allowance for doubtful accounts and the tax provision.

   c. Significant adjustments/passed adjustments – There were seven adjustments proposed and accepted by management, four of which were proposed by management. The audit entries proposed related primarily to true-up of overhead allocations, income tax provision, inventory and investment balances, and accruals for late invoices. There were no passed adjustments.

   d. Disagreements with management – None.

   e. Difficulties encountered in performing the audit – Written communication provided under separate cover.

   f. Internal control report - Written communication provided under separate cover.

5. We would like to thank management and staff for their fine cooperation during the audit.

TAHOE DONNER ASSOCIATION

Truckee, California

INTERNAL CONTROL REPORT

December 31, 2019

McCLINTOCK ACCOUNTANCY CORPORATION

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To the Board of Directors
Tahoe Donner Association

In planning and performing our audit of the financial statements of Tahoe Donner Association as of December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies, as defined above.

During out audit we became aware of some matters that are opportunities for strengthening internal controls or operating efficiency. These matters are offered as constructive suggestions for consideration of the Board and management as part of the ongoing process of modifying and improving accounting control and other financial and administrative practices and procedures. Appendix A that accompanies this letter summarizes other matters identified for the year ended December 31, 2019, and our comments and suggestions.

This letter does not affect our report dated April 3, 2020 on the financial statements of the Association.

This communication is intended solely for the information and use of management and those charged with governance and is not intended to be and should not be used by anyone other than these specified parties.

McCLINTOCK ACCOUNTANCY CORPORATION
April 3, 2020

TAHOE DONNER ASSOCIATION

Appendix A (Summary of Internal Control Findings)

Prepared by

McClintock Accountancy Corporation

December 31, 2019

Year Identified	**Audit Area**	**Observations in Initial Year Identified**	**Recommendation in Initial Year Identified**	**Management Comment**
OTHER MATTERS				
2019-01	REPLACEMENT RESERVE FUND SPENDING POLICIES	During out audit it was noted that there are some projects with total expenditures that fall below the $2,000 replacement reserve spending policy. It was further noted that there are several non-capital projects of varying size ($300 to $150,000) being charged to the replacement reserve, development and new equipment funds. This includes spending on items such as software, leases, payroll, forestry damage repairs and other repairs. The funds are also charged an allocation of overhead expenses. While these projects are currently included within the replacement reserve study and as such budgeted for in the reserve fund, there does not appear to be a clear distinction between what expenses qualify as operating in nature vs. being applicable to another fund.	*Recommendation:* The Association should review the policies surrounding fund spending and better clarify the expenditures requirements that must be met for an expenditure to qualify as other than operating. Once the policy is clearly defined and approved, Association management can update the 2021 budget and related reserve study accordingly for future expenditures.	Management Comment: Concur, a high priority. Refining the replacement reserve fund policy to include detailed specific clarity on expenditure components is a planned project for summer 2020 to implement with Budget 2021.
2019-02	FIXED ASSET SOFTWARE	Fixed assets are currently tracked and recorded in an excel spreadsheet.	*Recommendation:* The Association should consider utilizing a fixed asset software for tracking.	Management Comment: Current software tool works, not ideal, but works. Cost benefit and pro con analysis needs to be performed. Fixed asset software is likely to be part of new accounting software package, which is due for in 2021 or accelerate in to 2020.
2019-03	SYSTEM INTEGRATION	Monthly activity from RTP and Aloha point of sale systems is currently manually journaled into the accounting system from monthly point-of sale reports run by accounting. Additionally, purchase orders are created and tracked within excel spreadsheets.	*Recommendation:* The Association should consider whether an integration can be developed to electronically move the data into the accounting system to improve controls and reduce potential for posting errors. Further, consider whether the accounting system is capable of maintaining automated purchases orders that invoices can be tracked against once received. Note that no posting errors were identified during the audit that impacted the financial statements. The cost of implementing full integration may outweigh the benefits.	Management Comment: Concur integration would be ideal. A cost benefit analysis would need to be performed.
2019-04	ACCOUNT RECONCILIATION	The Association has a deferred revenue account for Mountain Money Vouchers issued to individuals for which no underlying detail exists to reconcile the account balance. Currently, there is no way of knowing how many vouchers are outstanding and how long they have gone unused in order to consider recording breakage on the outstanding balances.	*Recommendation:* The Association should consider whether RTP data is available to develop an account reconciliation or how to track the balance of this account going forward. The Association may consider a policy for writing off old vouchers. The balance was $116,200 as of December 31, 2019.	Management Comment: Concur with the recommendation. A policy should be adopted in 2020.