

# INFORMATION



February 08, 2021

**Subject: 5501 Committee Report – 01/26/21 Meeting on December 2020 Financial Records**

## **BACKGROUND:**

California legislature Assembly Bill #2912, effective January 1, 2019, created new civil code 5500/5501.

1. Civil Code 5500 Items Monthly Review Meeting Items
  - a. Current reconciliation of the association's operating accounts,
  - b. Current reconciliation of the association's reserve accounts,
  - c. Current year's actual operating revenues and expenses compared to budget,
  - d. Latest account statements prepared by the financial institutions for all accounts,
  - e. An income and expense statement for the association's operating and reserve accounts, and
  - f. Check register, monthly general ledger, and delinquent assessment receivable reports.
  
2. Civil Code Monthly CA5501 Report
  - a. A statement that subcommittee members have reviewed the items in (1) above,
  - b. A statement regarding any noteworthy findings, including any corrections to be made in a further review of the month and or subsequent months, and
  - c. Acknowledgment by subcommittee participants of their participation in the review.

## **REPORT:**

- a. The committee met on January 26, 2021 - from 2:00pm to 3:50pm and reviewed items in (1) above for December 2020 financial records.
  - a. The committee reviewed December Financial Statements/Report. Monthly revenue for December totaled \$1,040,931 vs a budget of \$1,873,000 for a variance/shortfall of \$832k. Year to Date revenue of \$9.4 million vs. a budget of \$14.1 million represents a YTD budget shortfall of \$4.8 million and a \$5.3 million year over year (YOY) shortfall. Overall gross revenue is under budget by 34% and 36% YOY. Monthly Payroll including burden expense was \$882k to a budget of \$1.262 million for a savings of \$380k. Monthly COGS were scaled down to reduced sales and so Gross Margin missed budgeted dollars by 43% vs. an overall revenue shortfall of 44% on the month.
  
- b. Investments Reconciliation Investments Reconciliation for December was separately reviewed by the Treasurer and the alternate board attendee (Don Koenes). Confirmation was sent by the Treasurer to the GM, DFA, alternate Board attendee (Don Koenes) and the Chair and Vice-Chair of the Finance Committee (please see **Attachment B**).
  
- c. The committee reviewed the trial balance, General Ledger, check register and supporting reconciliations. Several check payments and reconciliations were reviewed noting no exceptions. The committee review \$10,000+ payments report. Reviewed reconciliation detail for Tri Counties Bank Accounts- Assessments and Cash Receipts and tracked a randomly selected check from check register to general ledger to bank statement. Reviewed back up for 2 separate checks from the check register over \$10,000.

# INFORMATION



- d. The committee reviewed member delinquent accounts receivable reports. Note, the full Board is briefed in executive session monthly on this matter.
- e. Other discussion items included: Reviewed [slideshow](#) on differences between Finance Committee and 5501 Subcommittee. Cash on hand accounts- Daily and monthly Audits. Petty cash approval limit. Reviewed aged accounts payables. Assessment pace- 2021 payments pacing 3.76% ahead of 2020.
- f. The committee noted no adjustments necessary to the December 2020 financial statements. Items for follow-up at a future date include the following:

Old, remains outstanding:

1. Investment account reconciliation training
2. RRF Savings for April
3. Process for allocating capital projects payroll.
4. Written Treasury Policies
5. ASO Deposits on file to be investigated by ASO manager.
6. Capital Funds Summary- Jon Mitchell and Accounting Staff to analyze forecast for FYE 2020 and for carry over projects into 2021.

\*Follow up review:

1. EcoLab Check- Equipment Rental Pizza on the Hill: Dishwashing machine rental
  2. SWRCB Check- State Water Resources Control Board: Annual Storm Water Discharge Permit
  3. Purchase approval limits: **Attachment A**
  4. Amenity Access & ASO Fines/Finance Charges: Amenity access is revoked for all delinquent accounts at the board meeting in June.
  5. Top 25 Delinquent Accounts: “Notice of default and election to sell under association lien.” Notice of default is recorded after we file a lien on property and is the beginning of foreclosure.
  6. Aspenware \$122,000 payment: Perpetual Software License
  7. Check register “Discount Taken”: Not used historically. Discounts are included with total amount of invoice when entered.
- g. Committee Attendees (Acknowledgment received via email confirmation for all listed below)
    1. Steve Mahoney, Treasurer
    2. Don Koenes, Vice President
    3. Jim Colbert, Finance Committee designee
    4. John Dundas, Finance Committee designee
    5. Terry Watson, Finance Committee designee
    6. Edward Melia, Finance Committee designee
    7. David Mickaelian, General Manager
    8. Todd Martyn-Jones, Director of Finance
    9. Tom O’Neil, Controller
    10. Tracy Pearson, Accounting Manager
    11. Additional Finance Committee Applicants: Denise Gauny, Michael Rudolph
  - h. Next 5501 Meeting – January 2021 Review is scheduled for February 23, 2021.  
(Board – Treasurer and Wu)

Prepared by: **Tracy Pearson, Accounting Manager**

# INFORMATION

Board Agenda Meeting Date for Ratification: February 26, 2021

GM Approval for Agenda:



**Tahoe Donner Association - Procurement Policy**

**\*Updated 2/1/2019 Spending Approval Limit Schedule (subject to certain lower limit Exceptions)**


Dollar Limit, up to

Supervisor	\$250		
Manager	\$ 750		
Director and Assistant Director	\$ 1,750		
Director of Finance	\$ 3,000	/ \$ 15,000 Budgeted Annual Blanket POs	
General Manager		\$ 15,000 unbudgeted items, \$ 50,000 budgeted items	
Board of Directors		Over \$ 15,000 unbudgeted items, All over \$ 50,000 budgeted items	

Pre-Approval schedule above applies to all spending; operating supplies, inventories, travel, seminars.

**ALL SPENDING REQUIRES PRE-APPROVAL.**

Approvals should be obtained on Purchase Order (PO) prior to any firm commitment or order execution with vendor.

**From:** Steve Mahoney [smahoney@tahoedonner.com](mailto:smahoney@tahoedonner.com)   
**Subject:** TDA December 2020 CA Civil Code 5501 Investment Reconciliation  
**Date:** January 29, 2021 at 1:21 PM  
**To:** David Mickaelian [dmickaelian@tahoedonner.com](mailto:dmickaelian@tahoedonner.com), Todd Martyn-Jones [tmartynjones@tahoedonner.com](mailto:tmartynjones@tahoedonner.com), Don Koenes [dkoenes@tahoedonner.com](mailto:dkoenes@tahoedonner.com)  
**Cc:** Tom O'Neil [toneil@tahoedonner.com](mailto:toneil@tahoedonner.com), Robin Bennett [rbennett@tahoedonner.com](mailto:rbennett@tahoedonner.com), John Dundas [jam11792@suddenlink.net](mailto:jam11792@suddenlink.net), Terry Watson [terryawatson@gmail.com](mailto:terryawatson@gmail.com)

---

Good afternoon all;

This note is my formal acknowledgment that I have completed a review of reconciliations of Tahoe Donner Association's ("TDA") operating and reserve accounts for the month of December 2020 as called for in Section 5500 of the California Civil Code.

In connection with this review, I have reviewed (i) month-end account statements for Tahoe Donner's principal operating and investment accounts as provided by TDA's banks and investment/brokerage firms, (ii) a summary reconciliation of activity in these accounts prepared by TDA's Controller (Tom O'Neil), and (iii) reconciliations of our principal bank accounts provided by our Accounting Department identifying differences between the bank-provided month end balance and TDA's general ledger balance as of December 31, 2020. I have made appropriate inquiries of TDA staff as to satisfy me that my review of the operating and reserve accounts was conducted in accordance with the requirements of CA Civil Code 5500.

I have enclosed (i) a pdf of the reconciliation worksheet for December with my signature indicating my approval, and (ii) a pdf of the actual account statements.

Note that I have identified as a follow-up item a need to check with our Stifel advisor (Evan Price) to make sure that we are fully covered by FDIC insurance on the bank deposit program for the Development Fund Account. I will follow-up with Evan and introduce Todd to him, too.

I also note that TDA has circa \$13.5 MM of maturing Treasury Bills between February 18 and March 16, 2021. While we have worked to develop a new Investment Policy, we now need to refine our investment strategy. I will organize a meeting of the Investments Working Group to address the thoughtful reinvestment of the maturing Treasury Bills.

Finally, there are a few immaterial adjustments that should be made to the reconciliation spreadsheet. I respectfully ask Tom O'Neil to make these adjustments.

Given my concerns about the security of sensitive Tahoe Donner information, only senior staff members and the other member of TDA's Board of Directors who attended the December meeting of the 5501 Sub-Committee (Don Koenes) will receive the reconciliation and account statement materials.

Don, please review the attached reconciliation and account statements and send an acknowledgment to all that you are satisfied/comfortable with the reconciliation. Thank you.

Please reach out if you have any questions.

Regards,

Regards,

Steve Mahoney  
Mobile: 415 866 8525  
[smahoney@tahoedonner.com](mailto:smahoney@tahoedonner.com)



TDA Investment  
Reconc...20.pdf



TDA  
Consoli...20.pdf