

# ***TAHOE DONNER ASSOCIATION ASSOCIATION***

## ***REPORT TO THE BOARD OF DIRECTORS***

***For the Year Ended December 31, 2020***

1. This is our report on the Tahoe Donner Association December 31, 2020 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 eighteen adjustments proposed and accepted by management, five of which were proposed by management, compared to seven adjustments in the prior year, four of which were proposed by management. The audit entries proposed related primarily to truing up fixed asset activity, investment balances, prepaid insurance, reserve accounts payable, employer retirement contributions and deductions, allowance for doubtful accounts, interfund balances and season pass contingency, recording unrecorded liabilities and the tax provision and to reclassify a voided check to accounts payable. There were no passed adjustments.
  - d. Disagreements with management – None.
  - e. Difficulties encountered in performing the audit – None.
  - f. Internal control report – Attached.
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, 2020

# 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, 2020, 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 our 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, 2020, and our comments and suggestions.

This letter does not affect our report dated April 13, 2021 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*

McCLINTOCK ACCOUNTANCY CORPORATION  
April 13, 2021

TAHOE DONNER ASSOCIATION  
Appendix A (Summary of Internal Control Findings)  
Prepared by  
McClintock Accountancy Corporation  
December 31, 2020

Year Identified	Audit Area	Observations in Initial Year Identified	Recommendation in Initial Year Identified	Status as of December 31, 2020	Management Comment
<b><u>OTHER MATTERS</u></b>					
2020-01	<u>COMPLETION OF ACCOUNT RECONCILIATIONS</u>	During the audit, it came to our attention that some of the balance sheet reconciliations were not completed prior to the start of the audit. Most notably, fixed assets.	<u>Recommendation:</u> In order to produce meaningful financial reports, the Association should reconcile the general ledger accounts receivable, prepaid and other assets, accounts payable and other liabilities to supporting documentation on a monthly basis. Fixed assets should be reconciled at least quarterly. A benefit of monthly reconciliations is that errors do not accumulate and can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.	First year recommendation	Management Comment: Reconciliations will be completed during fiscal 2021.
2020-02	<u>REVIEW AND APPROVAL OF JOURNAL ENTRIES</u>	Journal entries are prepared and recorded by the Controller without review and approval by another party. Further, journal entries were prepared and recorded by the interim Director of Finance without review and approval and supporting documentation and journal entry description was not maintained for the related journal entries recorded.	<u>Recommendation:</u> We recommend that all journal entries be reviewed and approved by individual other than the preparer. Controller journal entries should be reviewed by the Director of Finance. Support for all journal entries and related approvals should be maintained.	First year recommendation	Management Comment: All journal entries will be subject to review and approval by an individual other than the preparer and related supporting documentation will be maintained.
2020-03	<u>WRITTEN POLICIES AND PROCEDURES</u>	Currently the Association does not have complete written accounting policies and procedures.	<u>Recommendation:</u> The Association should complete written policies and procedures, which are useful tools for monitoring controls and during periods of employee transition and assist in cross-training employees.	First year recommendation	Management Comment: Implementation is planned to begin in conjunction with the software conversion project. Policies and procedures may be in video format rather than written.
2019-01	<u>REPLACEMENT RESERVE FUND SPENDING POLICIES</u>	During our 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.	<u>Recommendation:</u> 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.	No change from previous year	Management Comment: Concur, a priority. Refining the replacement reserve fund policy to include detailed specific clarity on expenditure components is a planned project for summer 2021 to implement with Budget 2022.
2019-02	<u>FIXED ASSET SOFTWARE</u>	Fixed assets are currently tracked and recorded in an excel spreadsheet.	<u>Recommendation:</u> The Association should consider utilizing a fixed asset software for tracking.	No change from previous year	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.

TAHOE DONNER ASSOCIATION  
Appendix A (Summary of Internal Control Findings)  
Prepared by  
McClintock Accountancy Corporation  
December 31, 2020

<u>Year Identified</u>	<u>Audit Area</u>	<u>Observations in Initial Year Identified</u>	<u>Recommendation in Initial Year Identified</u>	<u>Status as of December 31, 2020</u>	<u>Management Comment</u>
2019-03	<u>SYSTEM INTEGRATION</u>	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.	<u>Recommendation:</u> 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.	No change from previous year	Management Comment: Concur integration would be ideal. A cost benefit analysis would need to be performed. The new software package that is being implemented in 2021, does not allow for full integration.
2019-04	<u>ACCOUNT RECONCILIATION</u>	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.	<u>Recommendation:</u> 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.	No change from previous year	Management Comment: Concur with the recommendation. A policy should be adopted in 2021.