North Lake Tahoe Resort Association, Inc.

REPORT TO THE FINANCE COMMITTEE AND BOARD OF DIRECTORS

For the Year Ended June 30, 2016

A. Introduction of firm.

B. Unmodified or clean opinion on financial statements.

C. Questions and answers regarding financial statements.

D. Matters to be Communicated

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

- Accounting Policies/Accounting Estimates – Significant accounting policies are described in Note 2 to the financial statements. Significant estimates include an allowance for doubtful accounts.

- Significant adjustments – There were fourteen audit adjustments proposed as a result of the current year audit compared to five in prior year; all of which were accepted after final review by NLTRA staff. Two of the adjustments were proposed by management. The adjustments related primarily to accruals at year end, reclasses to correct expense and revenue accounts and true up of Placer County related balances. There were no passed adjustments.

- Disagreements with Management – None.

- Difficulties Encountered in Performing the Audit – None

E. Presentation of the Internal Control Report.

F. We would like to thank management for their fine cooperation during the audit.

NORTH LAKE TAHOE RESORT ASSOCIATION, INC.

Tahoe City, California

INTERNAL CONTROL REPORT

June 30, 2016

McCLINTOCK ACCOUNTANCY CORPORATION

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INTERNAL CONTROL REPORT

To the Officers and Directors
North Lake Tahoe Resort Association, Inc.

In planning and performing our audit of the financial statements of North Lake Tahoe Resort Association, Inc. as of June 30, 2016, 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.

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.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This letter does not affect our report dated October 17, 2016 on the financial statements of North Lake Tahoe Resort Association, Inc.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

McClintock Accountancy Corporation

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
October 17, 2016

North Lake Tahoe Resort Association, Inc.

REPORT TO THE FINANCE COMMITTEE
AND BOARD OF DIRECTORS

For the Year Ended June 30, 2016

Current Year Other Matters Noted

Observation/Recommendation: Checks are currently printed and signed (one of two required signatures) by the Directors of Finance. In order to enhance segregation of duties, we recommend that check stock and printing be maintained and implemented by the staff accountant.

Observation/Recommendation: Coding of expenses has been inconsistently applied year over year making management and understanding of the financial statements a difficult process when reviewing year over year variances. We recommend a process be put in place whereby management reviews the chart of accounts and the expectations for coding expenses going forward. This should also align with the budgeting process and accounting in accordance with the terms of the current contract.

Observation/Recommendation: During the current fiscal year conference memberships were never billed as required at the first of the calendar year due to miscommunications amongst departments.

Management Comment: Management has amended the membership period from a calendar year to an annual membership that correlates with the fiscal year and all members were billed as of July 1, 2016. The billing procedure has been added to the financial close checklist.

Observation/Recommendation: The Association continues to be subject to complex accounting issues as a result of annual changes to the Placer County contract. Related accounting considerations are not thoroughly considered and documented until the annual audit. We suggest the Association prepare a memo that summarizes the details of the contract and the related accounting conclusions reached for each contract year. The memo should include conclusions reached with respect to approved grant expenditures.

Prior Year Other Matters Noted

Observation/Recommendation: The reconciliation of quarterly 941 reports to g/l wages is an important reconciliation that we suggest the Association begin performing.

2016 Update: Quarterly reconciliations were prepared and provided by the Association after the start of the audit. We recommend a reconciliation be performed quarterly during the fiscal year.

Observation/Recommendation: It was noted during our search for unrecorded liabilities that CEO expense reimbursements are approved by the board treasurer subsequent to a reimbursement check being cut. In situations where expenses are in question, as was the case with our selection, this complicates the process. We recommend that expense reimbursements be subject to board treasurer approval PRIOR to the reimbursement being issued.

2016 Update: This recommendation was implemented in 2016.

Observation/Recommendation: We noted the results of the contract compliance agreed upon procedures performed on the agreement between the Association and Placer County for the period July 1, 2013 through June 30, 2014. Management has asserted that the findings from this report, while substantial, do not have a material impact on the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. We concur with managements' assertion. We support managements' efforts to monitor and report on all requirements in current and future agreements.

2016 Update: Management continues to work to meet the requirements set up as a result of the above mentioned engagement.

Observation/Recommendation: During the current year physical inventory count there was a discrepancy between actual inventory counted and the inventory sub-ledger maintained on the QuickBooks POS. This resulted in a $2,600 book to physical adjustment prior to year-end. While not material to the Association's financial statements, the Association's investigation was unable to identify an underlying cause of the discrepancy.

In order to strengthen controls surrounding physical inventory counts, we recommend the following:

1) Develop written procedures for physical inventories to be provided to all employees involved in the count process prior to the count taking place. These procedures should include physical inventory planning prior to the count, the timing of the count, providing accounting with final count details, and allowing enough time for a representative from the accounting department to review and re-perform the counts as deemed necessary. We have provided the Association with some samples that can assist in developing a procedure document.

2) Perform full physical inventory counts after hours at least quarterly. The Association can monitor book to physical adjustments and adjust the timing of the counts as necessary.

2016 Update: One inventory count was performed in April of 2016 resulting in a positive book to actual adjustment of approximately $2,000. Written procedures have yet to be formalized. Further, per our observation of documents supporting the count performed on 4/13/2016, we noted that expected counts by item are included on the reports utilized in the inventory count. We recommend that blind count sheets be utilized in performing the count to avoid the potential for biased counts. These counts should be performed quarterly until book to actual adjustments are deemed to be nominal.

Management Comment: An additional inventory count was performed in August of 2016 resulting in a positive book to actual adjustment of $279. Going forward, inventory counts will be performed quarterly.

Recent Accounting Pronouncements

ASU 2016-14: Presentation of Financial Statements for Not-for-Profit Entities
The ASU is focused on improving net asset classification requirements and information provided in financial statements and notes about liquidity, financial performance, and cash flows. New reporting requires expenses to be reported by function and nature. Current standards only require reporting expenses by function. Effective for fiscal year ending June 30, 2019.

ASU 2014-09: Revenue from Contracts with Customer
Set up to develop a common revenue standard for U.S. GAAP and IFRS. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU supersedes current revenue recognition guidance. A five step revenue recognition process which will need to be thoroughly considered and documented. Effective for fiscal year ending June 30, 2020.

ASU 2016-02: Leases
Requires entities whom enter into a lease to record a right of use asset and a lease liability at lease inception. Effective for fiscal year ending June 30, 2021.