

R&A CPAs

A PROFESSIONAL CORPORATION

**GREEN VALLEY
RECREATION, INC.**

REPORT TO MANAGEMENT

DECEMBER 31, 2022



REPORT TO MANAGEMENT

April 11, 2023

To the Board of Directors and Management
Green Valley Recreation, Inc.
Tucson, Arizona

In planning and performing our audit of the financial statements of Green Valley Recreation, Inc. (“GVR”) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered GVR’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GVR’s internal controls. Accordingly, we do not express an opinion on the effectiveness of GVR’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 and correct, 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 GVR’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 identify one deficiency in internal control that we consider to be a significant deficiency.

During our audit, we also became aware of matters other than significant deficiencies or material weaknesses that are opportunities for strengthening internal controls and operating efficiency. These matters are summarized in items two and three.

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

Very truly yours,

A handwritten signature in black ink that reads 'R&A CPAs' in a stylized, cursive font. Below the signature, the text 'A Professional Corporation' is written in a smaller, italicized serif font.

A Professional Corporation

Tucson, Arizona

Significant Deficiency

1. IMPROVE PROCESS OVER MAINTAINING FIXED ASSETS

While performing audit procedures over fixed assets, we noted the detailed fixed asset schedule provided included some items that were no longer in use or held by GVR. While a large portion of the recorded property and equipment is fully depreciated, without the proper controls in place and maintenance of a complete and accurate schedule, assets are more vulnerable to misappropriation without detection. In addition, a complete and accurate detailed fixed asset schedule is critical for recording depreciation, gross asset basis and accumulated depreciation in the financial statements.

We recommend management implement controls to perform a physical inventory of all property and equipment currently in use to ensure that all items no longer held by GVR are removed from the books and fixed asset schedule. Thereafter, a regular physical inventory of fixed assets should be performed at least annually.

Other Matters

2. CONSIDER REDUCING CASH DEPOSIT ACCOUNTS IN EXCESS OF INSURANCE LIMITS

While performing audit procedures over cash and investments, we noted the cash balances exceeded the federally insured limit of \$250,000 per institution.

We recommend that GVR closely monitor cash balances and consider the level of risk management is comfortable with given prevailing banking risks in the marketplace and, where possible, reduce the potential for loss of monetary amounts in excess of the federally insured level.

3. SEGREGATE OPERATING INCOME FROM OTHER INCOME

During review of GVR's financial statements, we noted that investment income and lease income are reflected as part of operating revenues.

We recommend that management consider the sources of income available to cover program and general and administrative operating expenses and move other sources of income to a new classification of other income in the statement of activities. This would allow for an intermediary measure of performance during the period which is not distorted by large swings in the market and provide a clearer picture of whether revenues are meeting operating expenses. This would assist management in determining future budgetary amounts needed to cover anticipated operating costs.