MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

SAN DIEGO
225 Broadway, Suite 1750
San Diego, CA 92101
619.573.1112

SACRAMENTO
OAKLAND
WALNUT CREEK
LOS ANGELES
CENTURY CITY
NEWPORT BEACH

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Dan McAllister, Treasurer-Tax Collector:

We have performed the procedures enumerated below, which were agreed to by the County of San Diego, California (County), solely to assist you with respect to the County's receipt of the Transient Occupancy Tax Returns from the Laguna Mountain Lodge (Hotel) for the year ended December 31, 2008. The management of the Hotel is responsible for the Transient Occupancy Tax Returns. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1) Obtained an understanding of the Hotel's system for the collection, accounting, reporting, and payment of the Transient Occupancy Tax.

   Finding: No exceptions were found as a result of applying the procedure.

2) Verified, by recalculation, the mathematical accuracy of all quarterly Transient Occupancy Tax Returns for the year ended December 31, 2008.

   Finding: No exceptions were found as a result of applying the procedure.

3) Agreed the tax rate used in calculating the Transient Occupancy Tax due to the County in the Returns to the tax rate stated in the County's Transient Occupancy Tax Ordinance No. 9889.

   Finding: No exceptions were found as a result of applying the procedure.

4) Compared all 2008 rental revenues in the Transient Occupancy Tax Returns to the rental revenues recorded in the monthly revenue summaries and in the general ledger.

   Finding: The Transient Occupancy Tax Return covering July though September 2008, erroneously over reported rental revenues by $1,217 and the Transient Occupancy Tax Return covering October through December 2008, erroneously under reported rental revenues by $3,586.

5) Reconciled bank deposits to reported monthly revenues for all months in 2008.

   Finding: No exceptions were found as a result of applying the procedure.

6) Reconciled annual rental revenues from the monthly revenue summary to the Federal Income Tax return for 2008.

   Finding: No exceptions were found as a result of applying the procedure.

7) Traced ten randomly selected registration cards to the daily revenue summary or other comparable document.

   Finding: We were unable to apply the procedure because rooms are paid in advance and the registration card does not document when the payment was made.

8) Selected ten exemptions claimed during the period and verified that there is documentary support authorized by the County's Transient Occupancy Tax Ordinance for the exemption.

   Finding: We were unable to apply the procedure because the Hotel did not have any exemptions for the year ended December 31, 2008.

9) Based on the proceeding procedures, identified the reporting and remitting procedures of the County's Transient Occupancy Tax Ordinance that are not understood by the Hotel's employees responsible for preparing and submitting Transient Occupancy Tax Returns. Explain to the employees the procedures that are not understood.

   Finding: No exceptions were found as a result of applying the procedure.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the accuracy of the Transient Occupancy Tax Returns. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Dan McAllister, Treasurer-Tax Collector and is not intended to be and should not be used by anyone other than that specified party.

Macias Gini & O'Connell LLP
Certified Public Accountants
San Diego, California

February 19, 2010