

**Steps Taking BY VLPOA Treasurer
Of 2006 Books and Records
To Determine Audit Potential**

1. I personally reviewed all 12 months of the general ledger for 2006.
 - a. I identified small amounts paid to board members for reimbursements of mileage and other reimbursements for items that they purchased on behalf of the VLPOA. **All of the amounts were reasonable** and did not warrant any further investigation.
 - b. I identified small amounts paid to members of the maintenance committee for reimbursements for maintenance materials and parts purchased on behalf of the VLPOA. **All of the amounts were reasonable** and did not warrant any further investigation.
 - c. **No large amounts were paid to any VLPOA board members or VLPOA residents.**
2. I have completed a comparative analysis of the certified audit for 2005 and the review report for 2006 and have made the following observations.
 - a. The comparison of the balance sheet assets for 2005 and 2006 supports **an increase of \$152,608 in assets.** This is an excellent indicator that no one misused or absconded with any of the VLPOA funds.
 - b. The comparison of the balance sheet Fund Balance accounts notes an overall increase of total fund funds balance of **\$152,608.** A good indication that funds were properly used(**Non reserve funds/profit**)
 - c. The designated fund notes an increase of **\$217,475. This fund balance represents investments (CD's).** This increase indicates that prudent investments were made on behalf of the VLPOA.
 - d. A comparison of the **member assessments** indicates a decrease of \$47,842 in 2006. This decrease was due to the reclassification of revenues from transfers fees of \$60,800 into a separate line item. With the inclusion of transfer fees there is a net **increase \$12,958** of combined revenue from those 2 activities. A good indicator that these sources of revenues were properly recorded.
 - e. A comparison of interest **income notes an increase of \$27,166.** This is an indication that prudent investments were made on behalf of the VLPOA.
 - f. **Activity revenue notes a decrease of \$36,426. This has been an area of concern for the past few years. Bad accounting practices were identified by the auditors. Recommendations were made and situation was partially corrected in 2006 by instituting the use of spreadsheets starting in 2006 and the retention of all receipts in 2007 along with the reconciling of the check book every month in 2007. An audit of the activity account would serve no purpose as the situation is currently corrected for 2007.**
 - g. A reduction of general and admin expenses of **\$35,443** may be an indication of having less salary during 2006 in the area of a manager and activity director.

- h. A reduction of **\$15,203 in expenses for the gardens is a good indicator** for the gardens.
- i. An increase of **\$111,288 for the lakes could be an indication of the age of the related equipment.**
- j. An increase of **\$148,290 for landscape and maintenance could be an indication of the age of VLPOA irrigation system** and other equipment.
- k. A **decrease in activity expenses of \$17,000 indicates fewer activities for 2006 and poor accounting practices for 2005 the numbers are not reliable.**
- l. Overall total expenses **increased by \$173,450.** This represents an increase of 14.9% over 2005.
- m. Comparative analysis of cash flows is method to reconcile from cash to accrual to the actual cash balances on hands. A comparison provides no assistance for the purpose of evaluating any potential adjustments.

I recommend that the board complete a certified audit for the year in which much unrest. Therefore, the 2007 fiscal year should have a certified audit and if gross anomalies are identified by the auditor than that audit be expanded to include the 2006 fiscal year at the direction of the Board of directors.

This audit recommendation is submitted by Ventana Lakes Treasure on November 10, 2007.

Maurice Frenette