

Ventana Lakes Property Owners Association
December 2008 Treasurer's Report

Dated: January 21, 2009

Colby Financial Statements

A DRAFT of the December financial statement was received Monday, January 19th at this time the Colby Financial Statement is not accepted as presented and until a final is received, it will not be posted to the website. Therefore, this Treasurer's report is based on the Draft Statement and may need to be amended later.

Master Reserves:

CD Values (23 Accounts):	\$1,188,323.84
Money Market Account:	<u>\$ 96,768.85</u>
Total Master Reserves:	\$1,285,092.69

There was no Master CD activity in December 2008.

One Master CD matured January 20, 2009 in the amount of \$25,647.40, this was placed in the Money Market Account until the Board and Finance Committee get a clearer picture of operating expenditures.

Two more Master CD's are scheduled to mature between now and February 6, 2009, in approximate amounts of \$16,945 and \$84,100.

As of December 31, 2008, the VLPOA Master has a cash balance of approximately \$86,496.46.

Gardens Reserves:

Total Gardens Reserves: \$205,766.59

There was no Gardens CD activity in December 2009, the next Gardens CD matures March 19, 2009 in an approximate amount of \$85,686.

As of December 31, 2008, the VLPOA Gardens has a cash balance of approximately \$13,610.77.

Delinquent Homeowner Accounts:

Eight (8) Homeowners are currently in the rears in excess of \$600 which classified them as delinquent accounts for a total of \$8,105.44 (debt).

Forty-seven (47) Homeowners were late paying their November/December Assessments and have been charged the \$15 late fee for a total of \$705 (income).

No report of any Homeowners filing Chapter 13 Bankruptcy in November/December.

Audit:

Please remember, with the exception of one, your current Board Members were not in office during the period this audit addresses and the only Board Member who was present was the only one person who has worked very hard to bring all concerns to the attention of the Community.

The completed 2007 Audit Report was received December 30, 2008 and was posted on the website Monday, January 19, 2009. There were approximately five key areas identified as needing attention and an ad hoc Finance Committee has begun addressing each of the concerns.

Ventana Lakes Property Owners Association
December 2008 Treasurer's Report

In addition, there are ten recommendations the ad hoc Financial Committee will be ensuring they are properly addressed.

Five key areas were identified; depreciation, Pool Key liability, cash vs. accrual, amending 2007 tax base and CD accountability.

1. Depreciation – accumulated depreciation was increased by \$5,197 due to a prior period error.
2. Pool Key Liability – fund balances at the beginning of 2007 were reduced by \$44,800 to correct an error related to recording the underreporting of the liability for refundable pool key funds.
3. Cash vs. Accrual Accounting – some account items and income taxes were treated as if the Association were on the cash basis of accounting, rather than the accrual basis of accounting. This resulted in additional deductions not being claimed and a possible amended tax filing.
4. Amend 2007 Tax Base – interest income was not accrued properly in prior years and was under reported by \$30,022. Prepaid taxes were reduced by \$1,002 due to a prior period error. Income taxes were not properly accrued for the year ended December 31, 2007, resulting in both income tax expense and beginning fund balances reduced by \$3,217.
5. CD Accountability – many CD investments with various banks all over the country, thus the difficulty of managing the signors and FDIC limits. Resolution 2008-09-01 Signature Authority addressed the signor issue and using the Broker CDARS addresses CD accountability and managing the FDIC limits.

Recommendations

1. Annual Insurance Premiums should be recorded as a prepaid expense and then amortized over the term of the policy, NOT expensed in the month they are paid.
2. Adopt a Capitalization Policy and Expense smaller items. Establish a minimum amount threshold for capitalization of assets and expense items below the threshold.
3. Identify an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those serviced and accepting responsibility for them. Establish written Policy for the controls that management will have in force for the accounting functions of outsourced accounting.
4. Require outsourced accounting company have a fidelity bond to equal the Association's cash they have access to at any given time. (Quarterly Assessment are approximately \$300,000) OR, institute a lockbox through our bank.
5. Initiate Policy to remove past Board Members as check signors immediately, implement an Association Termination Procedures Checklist which includes a step to determine whether a Board Member is an authorized signer and to remove the name promptly and formally inform the bank of the removal upon their termination. (Board President, Treasurer & Community Manager can contact Banks)
6. Highly recommended all certificates of deposit come under the umbrella of one institution through a CDARS Program.

Ventana Lakes Property Owners Association
December 2008 Treasurer's Report

7. Accounting Firm needs to be directed to record depreciation expenses (failed to for 2006 and 2007)
8. Adjust all account balances, specifically the investment accounts, to reflect appropriate year-end balances. Otherwise financial statements will be materially misstated.
9. Update Association policies and procedures to provide for adequate management oversight and review of the company's income tax accounting. Errors in 2007 tax return need to be amended. (May not be material enough to amend)
10. Strengthen internal control over financial reporting; adjust Association books to reconcile to the year-end reviewed financial statements.

Missed Issues

The ad hoc Finance Committee identified several issues that were not documented in the Audit Report.

1. Assessments received Discrepancies
 - Audit shows \$1,361,772
 - Colby shows \$ 1,245,000
 - Difference \$116,640 – difference may be based on accounting method, accrual vs. cash, meeting with Colby to clarify and recommend Colby to adjust their system to an accrual system.
2. Total Expenditures Discrepancy
 - Auditor lists \$1,316,799 which is \$83,937 increase over Colby's figures – possibly based on how accounted, accrual vs. cash. The auditor uses accrual.
3. CD Interest Income
 - The audit shows \$89,502 which is an increase of \$17,144 – possibly Bank One CD error when Association switched from City Management to Colby Management.

2009 Budgets:

The draft November 19, 2008 Meeting Minutes indicate the Gardens 2009 Budget was not approved, but upon review of the audio tapes, it was identified that a motion was made to approve the Gardens 2009 Budget with the stipulation that it be adjusted as some expenditure figures are verified. This will be addressed later in the agenda.

Submitted and signed this 21st day of January, 2009.

Laurel Norris, Secretary/Treasurer