

Hi Bona,

February 15, 2010

This letter contains the results of my review and your comments. As we discussed the review was limited to 2008 deposits and expenditures. Therefore, the objective was to determine if expenditures were valid, supported, and properly recorded against budget items; and lot dues paid were properly recorded, and collection actions were taken for dues not paid. The conclusion of my review is that: 2008 expenditures of \$44,312.97 recorded on bank statements, for the period 1 January 2008 through 31 December 2008 were valid, supported, and properly recorded against budget items. Lot dues of \$56,832.32 paid in 2008 were properly recorded and timely deposited, and collection actions were taken for dues not paid.

Some observations and suggestions based on my review are:

**OBSERVATION: 1**                      Bank statements were not from the 1st to the end of the month; rather they were from approximately the 15<sup>th</sup> of a month thru the 15<sup>th</sup> of the next month. This reporting period can possibly cause errors on monthly and year end reports.

**SUGGESTION: 1**                      Ask the bank to change the monthly bank statements to the 1<sup>st</sup> through the end of the month.

**RESPONSE:**                              This has been accomplished. I appreciate your suggestion to ask the bank, as I didn't know whether the bank would change the date.

**OBSERVATION: 2**                      Requests from individuals for reimbursements for maintenance and janitorial items were not submitted on any type of form. In addition, dollar amounts for multiple items were not totaled and did not identify the budget item to be reimbursed.

**SUGGESTION: 2**                      Create a standard form which can be provided to individuals requesting reimbursement. The form should have places for the individual to identify by budget item the amount requested to be reimbursed.

**RESPONSE:**                              A form has been developed and is being used for 2010 expenditures

**OBSERVATION: 3**                      Check 1003 for \$238.29 to Verlo Howell dated 4 March 2008 hasn't cleared the bank account.

**SUGGESTION: 3**                      Debit \$238.29 back to the checkbook balance.

**RESPONSE:**                              When we took over at the beginning of 2008, Verlo paid January's power bill. The check was issued to him to reimburse him for that payment; however, he never cashed the check. I did debit it back to the checkbook balance in early 2009.

**OBSERVATION: 4** There were 3 postings to the wrong month in the 2008 budget, \$421.86 a Pacific Corp bill paid in May was recorded in April, another Pacific Corp bill, \$621.08 paid in June was recorded in May, and a \$109 other charge paid in May was recorded in April.

**NOTE:** Action taken for suggestion 1 should help to prevent this from reoccurring.

**SUGGESTION: 4** Annotate the 2008 budget expenditures to correct the above 3 postings.

**RESPONSE:** Thanks. I didn't realize they were recorded in the wrong month. I will take care of annotating the expenditures.

**OBSERVATION: 5** Payment of \$534.24 from Rigney (lots 41 and 42) was recorded twice, once under the regular section of the Alpha Assessments 2008 List and again under the section for Pay Pal deposits should only be under the Pay Pal section.

**SUGGESTION: 5** Remove the payment for \$534.24 from the regular section of the Alpha Assessment 2008 List.

**RESPONSE:** Will do.

**OBSERVATION: 6** Reimbursements of \$429 on lots 55–59 wasn't reflected on the Alpha Assessment 2008 List this should be done to make reconciliations easier to total lot reimbursement.

**SUGGESTION: 6** Reimbursement to lot owners should not be deducted from annual dues, but rather just a reimbursement action, this was probably a onetime occurrence as \$429 covered 2007 expenditures before the association was formed.

**RESPONSE:** In 2007, Cal had paid for the cost to have the CC&R's recorded at the county recorder's office. When he paid his maintenance fees for 2008, he deducted that amount. I made a note on the deposit with the copy of the receipt from the County. I am attaching it for you. If this happens in the future, I will have the person pay the full assessment and give them a check for the expense.

**OBSERVATION: 7** No copies of checks were made for deposits of \$1,305.12 on June 8, \$608.79 on July 7, and \$566.64 on July 15.

**SUGGESTION: 7** Copies of checks deposited or a list of checks including date, name, lot number, and amount should be retained for each check deposited.

**RESPONSE:** On the Money checking account there is a deposit category for multiple items. I listed each of these checks and the amounts in that area of the Money program; however, I can't figure out how to print that information

out. I also wrote the names of the lot owners on the deposit receipt. I now have a printer/copier/scanner combo and am making copies of all checks that come in this year.

- OBSERVATION: 8** Mickelson (lots 303, 304) paid only \$500 of the \$550.50 due.
- SUGGESTION: 8** Annotate the Alpha Assessments 2008 List to explain why no collection action was taken.
- RESPONSE:** Jean had made a partial payment to Verlo Howell which she provided proof of, but the Board's attempts to collect from Verlo were to no avail.
- OBSERVATION: 9** Payment by Mabey (lots 187 and 188) was recorded on the regular section of Alpha Assessment 2008 List.
- SUGGESTION: 9** Record Mabey payment on the Pay Pal section of the Alpha Assessment 2008 List and reflect the \$16.26 charge in the total Pay Pal charges.
- RESPONSE:** Will do.

**COMMENTS:** The above responses addressed the observations and suggestions.

Also, I just reviewed the 2008 Itemized Cash Flow Statement posted on the web site. There the expenditures were stated as \$45,564.24 per my review they were \$44,312.97; the income was stated as \$59,743.30 per my review it was \$56,832.32. I assume the differences are 2007 expenses and income shown as 2008 expenses and income. If this is correct it should be annotated at the bottom of the statement posted on the web and referenced to supporting documents.

**RESPONSE:** You are correct, these are the 2007 expenditures before the association was actually formed and we were operating on donations from many of the lot owners.

Bona, you are doing a great job and I commend you for all your hard work. Thank you again for your patience and fast responses to my many questions and request for documents during this review.

Sincerely,  
Ken Johnson