

Villa Monterey Improvement Association

2017 Annual Audit

Scottsdale, Arizona

Performed By Rick Morine
March 27, 2018

Arizona Revised Statute (A.R.S.) §33-1810 requires the board of directors provide for an annual audit of an association's financial records within 180 days of the close of the association's fiscal year. Article V, Section 3 of the bylaws of the Villa Monterey Improvement Association (the Association) defines the fiscal year to be January 1 through December 31. The Association's bylaws do not indicate this audit be conducted by a CPA.

It is management's responsibility to prepare financial statements and to ensure internal controls. The auditor examines accounting records and internal controls on a sample basis. The job of the auditor is to verify the accurate, complete, and timely financial reporting of the treasurer's records and to recommend internal controls to further safeguard the association's assets.

In March 2018, Treasurer Mike Hamm asked Rick Morine to perform an audit of the Association's financial records for the fiscal year ending on December 31, 2017.

Mr. Morine performed the audit in March 2018.

The audit verifies the following:

1. TREASURER

a) Mike Hamm is the treasurer for the 2017 fiscal year.

2. FINANCIAL TRANSACTIONS

a) Cash Transactions

i) There were no checks made out to cash.

b) Deposits

i) There are deposit slips for every deposit; bank statements match the deposit slips.

ii) The dates on the deposit slips match the bank statements.

- c) Paper Trail
 - i) The treasurer keeps receipts for reimbursements and uses an expense voucher system, which include:
 - (1) Payee's name
 - (2) A place for attaching receipts
 - (3) Date received
 - (4) Date paid
 - (5) Amount paid
 - (6) Method of payment (ACH, check #, etc.)
 - d) Other
 - i) Payments are timely.

3. FINANCIAL REPORTS

- a) The minutes reflect that financial reports are provided to the board of directors each month. In addition, financial reports are found on the Association's website: www.villamontereyone.org. These reports include monthly activity (income and expenses) and account balances for the operating and reserve funds.
- b) Report Format
 - i) Monthly financial reports include:
 - (1) The Balance Sheet (Statement of Financial Position for non-profits)
 - (2) Statement of Income and Expenses (Statement of Activities for non-profits)
 - (a) Actual income and expenses for the year
 - (b) Budgeted income and expenses for the year to date
 - (c) The differences between (2b and 2c above)
 - c) The end-of-year financial position reports presented to the board reflecting beginning and ending balances agree with the bank statements from all Association accounts at Chase Bank for the audit period.
 - d) No errors in the treasurer's financial reports are found.

4. ASSESSMENTS

- a) The treasurer maintains a journal dedicated to the payment of assessments containing all homeowners' names, contact information, amounts, dates paid, and balances due.
- b) The homeowner assessment journal indicates that all 2017 assessments were paid.
- c) The auditor finds no errors in the assessment journal.

5. RESERVE FUND ACCOUNTING

- a) The statements of financial position (the balance sheet) expressly designate a reserve fund account and an operating fund account.
- b) The board adopted a budget containing a reserve fund goal and timeline and the minutes reflect this.
- c) There are monthly reserve fund reports.

6. BUDGET

- a) The board adopted a budget for 2017, and the minutes reflect this. The annual budget is found on the Association's website: www.villamontereyone.org.

- b) The treasurer prepares and distributes monthly financial activity reports containing actual income/expenses vs. budgeted income/expenses.

7. TAX RETURNS

- a) Federal Form
 - i) Federal tax return (Form 1120-H) for 2017 was filed on March 17, 2018. No tax was due.
- b) Arizona Corporation Income Tax Return (120A) was filed on March 17, 2018. Tax due: \$50.
- c) Arizona Corporation Commission
 - i) The Association's filing date for the 2017 fiscal year with the Arizona Corporation Commission is June 21, 2017, and this report was eFiled by Treasurer Hamm on 5/7/2017. A \$10 fee was paid.
- d) The tax preparer for this fiscal year is Howard S. Simon, and the fee is \$275. Mr. Simon is a CPA, and he specializes in HOA tax returns.
- e) All tax returns and required annual reports for the state of Arizona were filed in a timely manner.

8. INSURANCE

- a) The Association carries insurance with State Farm for the following losses:
 - i) Property: \$62,500;
 - ii) Bodily Injury: \$5,000 per person;
 - iii) Directors and Officers Liability: \$1,000,000 per occurrence.
- b) Insurance premiums are paid on time, and the treasurer's records contain copies of the insurance policies.

9. BANK SIGNATORIES

- a) Bank signatories for all accounts are up to date and are reflected in the minutes.

10. OTHER

- a) Bank statements are mailed to the treasurer, and the president has online privileges for all Chase accounts.
- b) Bank deposits are insured in accordance with Article V, Section 2 of the bylaws (a minimum of \$100,000).
- c) A.R.S. §33-1810 requires an annual audit be performed within 180 days of the close of the fiscal year. An audit for the 2016-17 was completed on May 8, 2017.

UNQUALIFIED OPINION*

This audit finds no material discrepancies, and it is the auditor's opinion that the reports produced by the treasurer and received by the board of directors and members accurately and completely reflect the true financial condition of the Association for the fiscal year 2017.

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March 27, 2018

- An **unqualified opinion** is an independent auditor's judgment that the Association's financial records and statements are fairly and appropriately presented. An **unqualified opinion** is the most common type of auditor's report. This opinion does not indicate that the Association is in good economic health; it states only that the financial reports are transparent and thorough and do not hide important facts.