

Villa Monterey Improvement Association

2019 Annual Audit

Scottsdale, Arizona

Performed By Rick Morine
January 23, 2020

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 January 2020, Treasurer Julia Kerrigan asked Rick Morine to perform an audit of the Association's financial records for the fiscal year ending on December 31, 2019.

Mr. Morine performed the audit in January 2020.

The audit verifies the following:

1. TREASURER

- a) Julia Kerrigan is the treasurer for the 2019 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 2019 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) Monthly reserve fund reports are presented to the board and published on the website.

6. BUDGET

- a) The board adopted a budget for 2019, 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 2019 was filed on January 15, 2020. No tax was due.
- b) Arizona Corporation Income Tax Return (120A) was filed on January 15, 2020. Tax due: \$50.
- c) Arizona Corporation Commission
 - i) The Association's filing date for the 2019 fiscal year with the Arizona Corporation Commission is June 21, 2019, and this report was eFiled by Rick Morine on 6/4/2019. A \$10 fee was paid.
- d) The tax preparer for this fiscal year is Howard S. Simon, and the fee is \$299. 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 Fire and Casualty.
- b) The insurance agent is Joy Estes, 8111 E. Thomas Rd, Ste 110, Scottsdale, AZ 85251-5876.
- c) 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.
- b) The Association holds two accounts at Chase.

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 2018 was completed on March 25, 2019.

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 2019.

**Rick Morine
7527 E. Mariposa Drive
Scottsdale, AZ 85251
503-320-4590**

January 23, 2020

- 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.

01/15/20

Villa Monterey Improvement Association
Balance Sheet Standard
As of December 31, 2019

	<u>Dec 31, '19</u>
ASSETS	
Current Assets	
Checking/Savings	
Operating Fund	25,937.12
Reserve Fund	15,329.97
	<u>41,267.09</u>
Total Checking/Savings	41,267.09
Accounts Receivable	
Prepaid Dues	-21,154.90
	<u>-21,154.90</u>
Total Accounts Receiva...	-21,154.90
Other Current Assets	
Undeposited Funds	345.00
	<u>345.00</u>
Total Other Current As...	345.00
Total Current Assets	<u>20,457.19</u>
TOTAL ASSETS	<u>20,457.19</u>
LIABILITIES & EQUITY	
Equity	
Retained Earnings	21,050.05
Net Income	-592.86
	<u>20,457.19</u>
Total Equity	20,457.19
TOTAL LIABILITIES & EQUI...	<u>20,457.19</u>

Villa Monterey Improvement Association
Profit and Loss Standard
January through December 2019

	Jan - Dec '19
Income	
Disclosure Fee Income	2,560.00
Donation Income	325.70
Dues Income	60,030.00
Dues Late Fee	129.66
Fines	349.25
Interest Earned	
Operating Fund	0.40
Reserve Fund	4.17
	4.57
Total Interest Earned	4.57
Park Fee	50.00
Renter Fee	50.00
Social Committee Income	2,796.00
Uncategorized Income	0.00
	66,295.18
Total Income	66,295.18
Expense	
ARC Committee Expenses	19.26
Bank Fees	
Chase	12.00
Bank Fees - Other	12.00
	24.00
Total Bank Fees	24.00
Board Supplies	100.00
Executive Secretary's Supplies	
Directory	234.14
Office Supplies	375.83
Postage	124.37
Software	119.94
	854.28
Total Executive Secretary's Sup...	854.28
Insurance	2,444.00
Legal and Professional Fees	
Attorney	1,564.25
Tax Preparation	295.00
	1,859.25
Total Legal and Professional Fees	1,859.25
Park Expenses	
Backflow Inspection	108.00
Fountain Maintenance	3,070.85
Furnishings	47.38
Landscaping	14,315.12
Maintenance and Repairs	8,383.91
Misters	229.40
Permits	495.00
Pruning	3,170.00
Pool Services	8,138.79
Supplies	392.03
Utilities	
APS	6,818.81
City of Scottsdale	6,240.75

01/15/20

Villa Monterey Improvement Association
Profit and Loss Standard
January through December 2019

	<u>Jan - Dec '19</u>
SW Gas	<u>5,956.48</u>
Total Utilities	<u>19,016.04</u>
Total Park Expenses	57,366.52
Social Committee Expense	3,101.36
Taxes	
Arizona	<u>50.00</u>
Total Taxes	50.00
Treasurer's Supplies	
Office Supplies	247.22
Postage	<u>197.23</u>
Total Treasurer's Supplies	444.45
Webpage	<u>624.92</u>
Total Expense	<u>66,888.04</u>
Net Income	<u><u>-592.86</u></u>



JPMorgan Chase Bank, N.A.
P O Box 182051
Columbus, OH 43218 - 2051

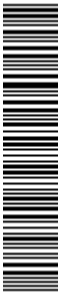
November 30, 2019 through December 31, 2019

Primary Account: **00000000829994**

00001055 DRI 601 21100120 NNNNNNNNNN P 1 00000000 64 0000
VILLA MONTEREY IMPROVEMENT ASSOCIATION
4823 N 75TH WAY
SCOTTSDALE AZ 85251-1546

CUSTOMER SERVICE INFORMATION

Web site: **Chase.com**
Service Center: **1-800-242-7338**
Deaf and Hard of Hearing: **1-800-242-7383**
Para Espanol: **1-888-622-4273**
International Calls: **1-713-262-1679**



CONSOLIDATED BALANCE SUMMARY

ASSETS

Checking & Savings	ACCOUNT	BEGINNING BALANCE THIS PERIOD	ENDING BALANCE THIS PERIOD
Chase Total Business Checking	00000000829994	\$14,260.52	\$25,937.12
Chase Business Select High Yield Savings	000002336574435	15,329.57	15,329.97
Total		\$29,590.09	\$41,267.09
TOTAL ASSETS		\$29,590.09	\$41,267.09

CHASE TOTAL BUSINESS CHECKING

VILLA MONTEREY IMPROVEMENT ASSOCIATION

Account Number: 00000000829994

CHECKING SUMMARY

	INSTANCES	AMOUNT
Beginning Balance		\$14,260.52
Deposits and Additions	2	18,975.00
Checks Paid	3	-2,412.28
ATM & Debit Card Withdrawals	1	-11.00
Electronic Withdrawals	6	-4,875.12
Ending Balance	12	\$25,937.12

Thank you for your military service and commitment to our country. Your monthly service fee was waived as a benefit of Chase Military Banking.

HOWARD S. SIMON, CPA, P.C.
7942 W. BELL ROAD, SUITE C5-433
GLENDALE, AZ 85308
(602) 384-8582
howard@howardsimoncpa.om

January 15, 2020

Villa Monterey Improvement Association
7527 E. Mariposa Dr.
Scottsdale, AZ 85251

Dear Client,

Enclosed is the 2019 Form 1120-H, U.S. Income Tax Return for Homeowners Associations, for Villa Monterey Improvement Association for the tax year ending December 31, 2019.

The return should be signed and dated by a corporate officer and mailed on or before April 15, 2020 to:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0012

No payment is due with this return.

Enclosed is the 2019 Form 120A, Arizona Corporation Income Tax Return (Short Form) for Villa Monterey Improvement Association.

The return should be signed and dated by a corporate officer and mailed on or before April 15, 2020 to:

Arizona Department of Revenue
P.O. Box 29079
Phoenix, AZ 85038-9079

Along with the tax return, enclose a check or money order, payable to "Arizona Department of Revenue," in the amount of \$50 for the balance of tax due. Write the company's employer identification number on the check.

We very much appreciate the opportunity to serve you. If you have any questions regarding this return, please do not hesitate to call.

Sincerely,

Howard S. Simon, CPA