

Villa Monterey Improvement Association

2018 Annual Audit

Scottsdale, Arizona

Performed By Rick Morine
March 25, 2019

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 2019, Treasurer Julia Kerrigan asked Rick Morine to perform an audit of the Association's financial records for the fiscal year ending on December 31, 2018.

Mr. Morine performed the audit in March 2019.

The audit verifies the following:

1. TREASURER

- a) Julia Kerrigan is the treasurer for the 2018 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 2018 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 2018, 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 2018 was filed on March 21, 2019. No tax was due.
- b) Arizona Corporation Income Tax Return (120A) was filed on March 21, 2019. Tax due: \$50.
- c) Arizona Corporation Commission
 - i) The Association's filing date for the 2018 fiscal year with the Arizona Corporation Commission is June 21, 2018, and this report was eFiled by Rick Morine on 5/7/2018. A \$10 fee was paid.
- d) The tax preparer for this fiscal year is Howard S. Simon, and the fee is \$295. 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 only 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 2017 was completed on March 27, 2018.

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 2018.

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

March 25, 2019

- 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.

Villa Monterey Improvement Association Balance Sheet Prev Year Comparison

Accrual Basis

As of December 31, 2018

	<u>Dec 31, '18</u>	<u>Dec 31, '17</u>	<u>\$ Change</u>
ASSETS			
Current Assets			
Checking/Savings			
Operating Fund	29,879.65	25,364.94	4,514.71
Reserve Fund	15,325.40	25,314.42	-9,989.02
	<u>45,205.05</u>	<u>50,679.36</u>	<u>-5,474.31</u>
Accounts Receivable			
Prepaid Dues	-24,155.00	-22,950.29	-1,204.71
	<u>-24,155.00</u>	<u>-22,950.29</u>	<u>-1,204.71</u>
	<u>21,050.05</u>	<u>27,729.07</u>	<u>-6,679.02</u>
TOTAL ASSETS	<u>21,050.05</u>	<u>27,729.07</u>	<u>-6,679.02</u>
LIABILITIES & EQUITY			
Equity			
Retained Earnings	27,729.07	27,773.31	-44.24
Net Income	-6,679.02	-44.24	-6,634.78
	<u>21,050.05</u>	<u>27,729.07</u>	<u>-6,679.02</u>
TOTAL LIABILITIES & EQ...	<u>21,050.05</u>	<u>27,729.07</u>	<u>-6,679.02</u>

Villa Monterey Improvement Association
Statement of Financial Activities vs Budget
 January through December 2018

	Jan - Dec '18	Budget	\$ Over Budget
Income			
Disclosure Fee Income	1,000.00	1,000.00	0.00
Donation Income	1,500.00	0.00	1,500.00
Dues Income	60,030.00	60,030.00	0.00
Dues Late Fee	325.85	0.00	325.85
Interest Earned			
Operating Fund	3.22	0.00	3.22
Reserve Fund	7.76	10.00	-2.24
Total Interest Earned	10.98	10.00	0.98
Refunds			
Bank Fees	0.00	0.00	0.00
Debit Card	0.00	0.00	0.00
Legal	0.00	0.00	0.00
Printing	0.00	0.00	0.00
Total Refunds	0.00	0.00	0.00
Renter Fee	25.00	0.00	25.00
Uncategorized Income	0.00	0.00	0.00
Total Income	62,891.83	61,040.00	1,851.83
Expense			
Bad Debts			
Uncollectible Dues	0.00	0.00	0.00
Uncollectible Late Fees	0.00	0.00	0.00
Total Bad Debts	0.00	0.00	0.00
Bank Fees			
Chase	0.00	0.00	0.00
Total Bank Fees	0.00	0.00	0.00
Board Supplies	0.00	300.00	-300.00
Executive Secretary's Supplies			
Directory	201.91	150.00	51.91
Office Supplies	225.33	300.00	-74.67
Software	79.96	0.00	79.96
Postage	0.00	200.00	-200.00
Printing	0.00	100.00	-100.00
Total Executive Secretary's Sup...	507.20	750.00	-242.80
Fee Refund	38.74	0.00	38.74

Villa Monterey Improvement Association
Statement of Financial Activities vs Budget
 January through December 2018

	Jan - Dec '18	Budget	\$ Over Budget
Legal and Professional Fees			
Arizona Corp. Commission	10.00	10.00	0.00
Attorney	15,676.07	3,410.00	12,266.07
Court Fees	0.00	0.00	0.00
Process Server	0.00	0.00	0.00
Tax Preparation	275.00	270.00	5.00
Total Legal and Professional Fees	15,961.07	3,690.00	12,271.07
Park Expenses			
Backflow Inspection	108.00	350.00	-242.00
Fountain Maintenance	3,311.69	2,100.00	1,211.69
Furnishings	0.00	0.00	0.00
Insurance	2,413.00	2,500.00	-87.00
Landscaping	9,722.00	12,000.00	-2,278.00
Maintenance and Repairs	7,290.56	5,000.00	2,290.56
Misters	215.61	0.00	215.61
Permits	495.00	500.00	-5.00
Pool Services	6,919.86	8,000.00	-1,080.14
Pruning	930.00	2,500.00	-1,570.00
Supplies	36.82	1,500.00	-1,463.18
Utilities			
APS	6,673.37	7,000.00	-326.63
City of Scottsdale	8,294.55	7,500.00	794.55
SW Gas	5,806.63	6,000.00	-193.37
Total Utilities	20,774.55	20,500.00	274.55
Total Park Expenses	52,217.09	54,950.00	-2,732.91
Reserve Appropriation	0.00	0.00	0.00
Taxes			
Arizona	50.00	50.00	0.00
Total Taxes	50.00	50.00	0.00
Treasurer's Supplies			
Office Supplies	234.56	300.00	-65.44
Post Office Box	367.74	400.00	-32.26
Postage	99.50	200.00	-100.50
Total Treasurer's Supplies	701.80	900.00	-198.20
Uncategorized Expenses	0.00	0.00	0.00
Webpage	94.95	400.00	-305.05
Total Expense	69,570.85	61,040.00	8,530.85
Net Income	-6,679.02	0.00	-6,679.02



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

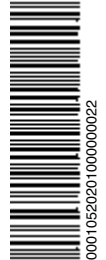
December 01, 2018 through December 31, 2018

Primary Account: **00000000829994**

00001052 DRI 601 211 00119 NNNNNNNNNN P 1 00000000 64 0000
 VILLA MONTEREY IMPROVEMENT ASSOCIATION
 7904 E CHAPARRAL RD A110-504
 SCOTTSDALE AZ 85250-7373

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**



We are clarifying the fee for incoming wires

On March 17, 2019, we're updating the document explaining our Additional Banking Services and Fees to clarify that the fee for an incoming wire is \$0 if it is sent from another Chase account with the help of a Chase banker or through chase.com or the Chase Mobile® app.

As a reminder, our standard fee to receive a wire is \$15, however, some of our products do not charge this fee.

Please call the number on this statement if you have any questions.

CONSOLIDATED BALANCE SUMMARY

ASSETS

Checking & Savings	ACCOUNT	BEGINNING BALANCE THIS PERIOD	ENDING BALANCE THIS PERIOD
Chase Total Business Checking	00000000829994	\$14,011.18	\$29,879.65
Chase Business Select High Yield Savings	000002336574435	15,325.01	15,325.40
Total		\$29,336.19	\$45,205.05
TOTAL ASSETS		\$29,336.19	\$45,205.05

HOWARD S. SIMON, CPA, P.C.
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GLENDALE, AZ 85308
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howard@howardsimoncpa.om

March 14, 2019

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

Enclosed is the 2018 Form 1120-H, U.S. Income Tax Return for Homeowners Associations, for Villa Monterey Improvement Association for the tax year ending December 31, 2018.

The return should be signed and dated by a corporate officer and mailed on or before April 15, 2019 to:

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

No payment is due with this return.

Enclosed is the 2018 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, 2019 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