

January 15, 2020

To: Cougar Ridge Homeowners Association

Subject: Results of Accountability Audit for Year Ending 12-31-2019

Definitions: An Accountability Audit vs CPA Audit.

A typical CPA audit focus is rendering an opinion on the financial statements and the accounting procedures. An Accountability Audit starts by identifying the users of the audit and their expectations. Homeowners primary concerns are budgeted revenues are collected, expenditures are proper and cash and investments are secured.

Audit Results: *

1.) All recorded revenue sources met analytical expectations. Revenue was reconciled to bank deposits without exception. Deposits were made timely. Confirmed revenues reconciled to respective financial statements.

2.) Recorded expenditures reconciled, without exception, to check and Bill Pay payments. Total disbursements reconciled to financial statements. All expenditures were supported respective by proper documentation.

3.) Cash and investments as presented on the December 31, 2019 Treasurer's Report were confirmed to bank records * without exception.

4.) Although current board members are reportedly actively monitoring financial activity, internal controls need to be formalized. Since checks and Bill Pay payments can be initiated by one person, it is recommended the have a policy designating a member to review on line payment registers.

5.) The financial records are complete, accurate and well maintained. The Treasurer is knowledgeable and provides professional oversight of the financial operations of the HOA.

General Comments:

Financial statements and accounting practices do not meet General Accepted Accounting Principles (GAAP). Water systems recorded as a fixed asset but is not depreciated. Capital replacements are expensed while new equipment is capitalized and depreciated. Reserve assessment of \$10,680. Is calculated from life expectancy of water system components and equates to depreciation expense.

The Treasurer's Report contains "Restricted Reserve Assessments/Accounts" which intent and value would escape most readers. Consider deleting or communicate intent with a footnote to the Treasurer's Report.

Conclusion:

Accounting practices, although not GAAP, do produce accurate financials that provide sufficient financial information to the HOA and home owners.



Keith Loughheed CFE

* Bank records were obtained independent of the HOA Treasurer.