

Andover Glen Homeowner Association

Review of the Financial Activities

Pursuant to Colorado Homeowners association law recently amended by Senate Bill 06-089, and the more stringent policies and procedures of the Andover Glen Homeowners association that state a review will be conducted at least once every two years, I conducted a review of the financial operations of the Andover Glen Homeowner's Association as of September 19 2006. This review must be performed by an individual who has the basic understanding of accounting due to prior business experience, education above the high school level, or bona fide home study. I have a bachelor's degree in accounting from The University of Texas and have been a professional accountant for the past 17 years.

I conducted my review as of September 19, 2006 because that was the day before I assumed the Treasury duties for Andover Glen. My review included the policies and procedures in place as well as the financial records, statements, and transactions performed by the previous Treasurer for the past year.

Review Objectives:

My objectives were to determine:

- whether funds were kept intact and safeguarded against losses or misuses,
- whether proper controls were in place to safeguard AGHOA assets, and
- whether the financial statements prepared and approved by the board fairly represent the financial condition of the association.

To accomplish my objectives, I performed the following procedures:

- Interviewed the prior Treasurer and reviewed pertinent Andover Glen policies and procedures.
- Reviewed the Andover Glen bank statements.
- Reviewed the records on file to ensure compliance with the policies and procedures.
- Reviewed the financial statements and compared the financial statements to the bank statements.

Conclusion:

In my opinion the financial statements present fairly in all material respects the financial position of Andover Glen as of September 19, 2006. The related policies and procedures are followed and do provide adequate controls to safeguard assets. I did find one error in the financial statements related to the maturity date of a CD. Risk of errors in the financial statements could be easily mitigated by implementing additional controls as found in the following recommendations to the board.

Recommendations:

1. I recommend the Treasurer submit the most recent bank statements to the board before the annual homeowner meeting along with the corresponding financial statements that will be distributed to all homeowners. This additional control would provide the board with evidence of transactions and will provide an additional comparison between the bank statements and financial statements.
2. I recommend additional policies and procedures to ensure Board member expenses be approved by the board before reimbursement can take place. Approval of the annual budget constitutes approval for expenses covered under the budget. It should be the policy that all expenses in excess of the budget be approved.
3. I recommend that the annual budget procedures be spelled out in the policies and procedures of Andover Glen. This constitutes authorizations for the board member to spend Andover Glen Funds and is the basis for determining annual dues amounts, therefore, the procedures should be well defined so homeowners know how the spending process works.

Sincerely,

Adam Tucci