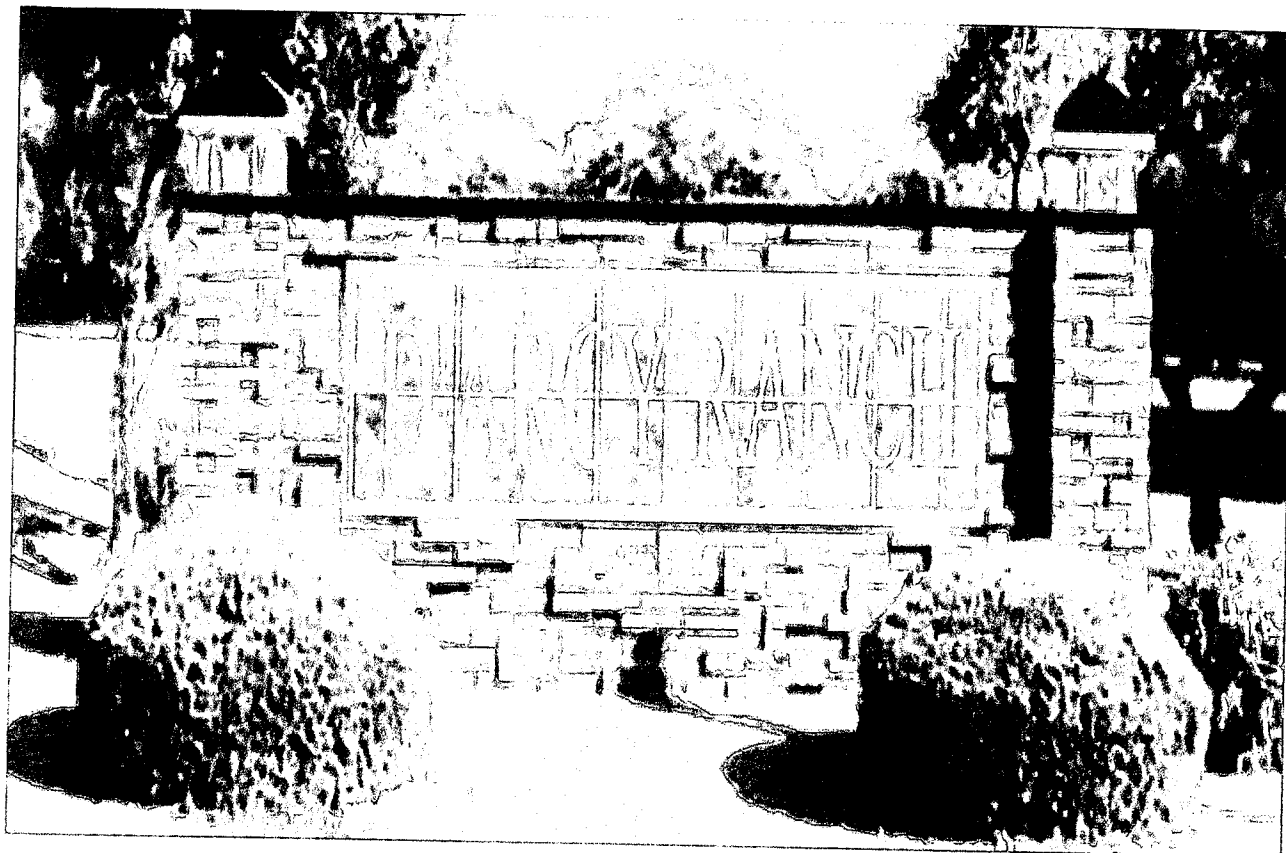


D'ARCY RANCH HOMEOWNERS ASSOCIATION 2010 FINANCIAL REPORT



Prepared by Jeff Gobster, HOA President

D'ARCY RANCH HOMEOWNERS ASSOCIATION 2010 FINANCIAL REPORT

Introduction:

Every homeowners association is required to provide an annual financial report. The type and scope of the report is determined by the HOA's CC&R's and/or State law. The law requires an audit, compilation or review. Audits are extremely expensive and should be reserved for occasions where there are questions as to how an HOA's money is being spent and to ensure no funds are missing. D'Arcy Ranch HOA has very few accounts and tracking our money is fairly straight forward. In the past, D'Arcy Ranch HOA has chosen to have a compilation report completed by a CPA. This report cost between \$500.00 and \$800.00. It is compiled using income statements and does not look for deficiencies or errors. It is basically taking a year end statement and compiling the numbers into a report format. It does not tell us if there are funds missing or funds being misspent. Because of the cost of a compilation report, and the lack of useful information it provides, the D'Arcy Ranch HOA board choose to do an internal review for the 2010 fiscal year.

This report details the findings of the review. The review was completed using financial statements provided by Metro Property Services (our management company), and the results of a three year financial review conducted by our budget committee. The three year review was conducted in an effort to find ways to save money and to ensure we were getting the best value for our dollar. The review also revealed areas where we could improve our accounting methods and funds owed us but not credited to our account. Those findings will be at the end of this review.

D'ARCY RANCH HOMEOWNERS ASSOCIATION 2010 FINANCIAL REPORT

Income

Assessments:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$63,361.79	\$67,379.00	<u>(\$4,017.21)</u>

Miscellaneous:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$173.42	\$.00	<u>\$173.42</u>

Late Fees:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$490.50	\$.00	<u>\$490.50</u>

Fines:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$380.29	\$.00	<u>\$380.29</u>

Subtotal Income:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$64,406.00	\$67,379.00	<u>(\$2,973.00)</u>

**D'ARCY RANCH HOMEOWNERS ASSOCIATION
2010 FINANCIAL REPORT**

Expenses

Landscape Grounds:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$24,868.33	\$31,585.00	<u>\$6,716.67</u>

Maintenance: (Deficit due to unfunded dry well repairs)

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$7,331.23	\$1,600.00	<u>(\$5,731.23)</u>

Utilities:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$6,383.38	\$8,760.00	<u>\$2,376.62</u>

Administration: (deficit due to unfunded legal fees)

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$23,706.09	\$18,396.00	<u>(\$5,310.09)</u>

Reserve Contributions:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$7,038.00	\$7,038.00	<u>\$.00</u>

Total Expenses:

<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
\$69,327.03	\$67,379.00	<u>(\$1,948.03)</u>

**D'ARCY RANCH HOMEOWNERS ASSOCIATION
2010 FINANCIAL REPORT**

**Balance Sheet
As of 12/31/2010**

US Bank Operating Account:	\$3,578.31	
US Bank Reserves:	\$32,969.25	
Total Assets:		<u>\$36,547.56</u>
Current Liabilities:	\$.00	
Subtotal Current Liabilities:		<u>\$.00</u>
Reserves:		
Reserve Equity:	\$32,969.25	
Subtotal Reserves:		<u>\$32,969.25</u>
Equity:		
Retained Earnings:	\$8,499.34	
Net Income/(Loss):	(\$4,921.03)	
Subtotal Equity:		<u>\$3,578.31</u>
<u>TOTAL LIABILITIES & EQUITY:</u>		<u>\$36,547.56</u>

D'ARCY RANCH HOMEOWNERS ASSOCIATION 2010 FINANCIAL REPORT

Summary

The final numbers show that the D'Arcy Ranch HOA has a \$4,921.03 deficit compared to the budgeted amounts for fiscal year 2010. This is due in part to unpaid assessments and spending money on unfunded projects. While the HOA has been able to save substantial amounts through the bid process for landscape maintenance and by monitoring water usage, those savings were offset by unexpected drywell maintenance and legal fees. In spite of this, we were still able to increase our total equity from \$34,372.41 at the end of 2009 to \$36,547.56 at the end of 2010, an increase of \$2,175.15. This increase came in a year where the HOA did not have an assessment rate increase. With the assessment rate increase that took effect 1-1-11, the outlook for 2011 and beyond is encouraging.

D'ARCY RANCH HOMEOWNERS ASSOCIATION 2010 FINANCIAL REPORT

Recommendations

During this review and the previous three year review several items of interest were noted. The D'Arcy Ranch HOA board should consider the following recommendations to ensure similar issues are avoided in future years.

- 1) Late Fees: During the three year review, it was noted that approximately half of the electrical utility invoices had incurred late fees. While these fees were reimbursed, had the review not caught this, the HOA would be out those fees. The board should consider having copies of all invoices included with the board packets.
- 2) Legal Fees: The three year review also showed that the HOA paid legal fees that should have been paid by Metro Property Management Company. Again, these fees were reimbursed, but had the review not noticed the error, the HOA would be out these funds. It is recommended that the board review all legal invoices to ensure the general legal fees of the HOA and legal fees incurred for other reasons are billed correctly.
- 3) Collection Fees: The review showed a large expenditure for legal fees due to the collection process. These fees have not been reimbursed and it does not appear likely that they will be. The board should ensure that prior to spending money on the collection process, there is a reasonable chance the fees will be collectable from the homeowner. Further, the board should ensure that it is approving all fees paid for the collection process. Any fees incurred that have not been approved by the board should be reimbursed to us by the management company.
- 4) The underfunded amount budgeted for the dry well maintenance caused us to incur an unexpected expense. A reserve study may have prevented this by letting the board know what maintenance to expect when.
- 5) The board should continue to take an active role in managing our community. While we rely on our management company for administrative services, it is our responsibility to make sure our community is a neighborhood families are proud to call home.
- 6) The internal review saved our HOA between \$500.00 to \$800.00 dollars. The board should consider other ways to save money on professional services. Our CPA charges \$250.00 to do our year end taxes. HOA tax returns are simple due to very little (if any) taxable income. The board should consider doing the return in house.