

TIMBER COVE HOMES ASSOCIATION
GORANSON AND ASSOCIATES, INC. BOARD MEETING PRESENTATION NOTES

Board minutes: Upon examining and reading the board minutes of the audit period, it was noted that the board: did not approve financials, did not bring major expenses or the budget to the membership, did not disclose conflicts, and the Board did not follow best practices or the board meeting rules resulting in too much knowledge being distributed to the public before October 2017. As well, the Board did not go into Executive, closed, session as needed for personnel and legal issues. The Board is liable and charged with fiduciary responsibility and due diligence to provide the best governance and oversight for the Association.

Response from TCHA Board:

Before October 2017, the Board did not approve financials appropriately, did not bring major expense or the budget to the membership, did not disclose conflicts, did not follow best practices or the Board meeting rules resulting in too much knowledge being distributed to the public (Executive Session Minutes were shared). Payment of bills were listed on agenda's and minutes but the information was never attached to the minutes on what the bills actually were. The recipients and the amounts paid were not disclosed to the membership. After October 2017, when the new Board was seated, a Treasurer's Report was created monthly as a supplement to the minutes. The report included all financials, bills paid, bank balances and other related financial information. A budget was also created for 2018, presented to the board, voted on and adopted in March 2018 as required by the bylaws. The Board will continue with the processes noted. Additionally, per the audit recommendations, the Board will sign the following policies/disclosures:

- Conflict of Interest
- Confidentiality
- Whistleblower

Internal Controls: During the audit fieldwork, an internal control walk-through was performed, and it was noted that there were no accounting policies and procedures. Accounting policies and procedures are necessary for ongoing sustainability should staff and board turn over.

Response from TCHA Board:

Per the recommendation, TCHA will create and implement accounting policies and procedures. We will use the sample policies and procedures shared by Blake Goranson to create specific policies and procedures for the HOA. We plan to complete and implement by 10/01/18

Cash Disbursements: During the audit procedures, it was noted that there were several cash disbursements that were not approved by the Board as well as never disclosed to the Membership, including:

1. Approximately \$38,000 transfer to Unit 1 during the split of Unit 1 and Unit 2
2. Employee legal issue in which the Board paid approximately \$15,000 for the employee's legal services
3. Trail expenses of approximately \$30,000 with no justification
4. Road improvements to Unit 1 roads of approximately \$21,000

Also, there were payments recorded in board meeting minutes that were not the payments actually made. It is important to ensure proper bookkeeping and proper authorization for all cash disbursements.

Response from TCHA Board:

John Gray, as Treasurer, was reviewing the cancelled checks with Office Manager Melany Collett, but there was no formal sign off. Going forward, Mr. Gray will sign the reviews to document his review is completed. Additionally, procedures will be implemented that include the process and controls for consistency.

Tax returns: During the audit procedures, it was noted that tax returns for three years (2015, 2016 and 2017) were filed late in early 2018. It is important to file in a timely fashion to protect the Association and Board from any liability from the taxing agencies. For 2018, the tax return is being completed as part of the audit engagement. An extension was granted, and the return will be filed before the final due date.

Budgets: It was noted during the audit that there were no budgets prepared for 2016 or 2017. The board minutes showed conversation regarding a budget, but none was adopted. The bylaws dictate that a budget must be adopted no sooner than 90 days to start of fiscal year and no less than 30 days so a budget needs to be adopted and voted on no later than April 1st if each year.

Reserve study: The required reserve study that was due in fiscal year 2017 was not actually completed until fiscal year 2018 when the new board was voted in.

Financial statements: The board prior to fiscal year 2018 did not provide a financial review with annual financial statements as required. All three years were completed in early 2018.

