Recommendations to Board of Directors and Property Manager

Cash Management

- Although the Association's cash balances are currently well under the FDIC limit, it may be a good idea to ask the bank if they can connect automatic ICS accounts to the existing bank accounts. The purpose of these accounts is to ensure that no bank holds more than the FDIC limit of $250k.

Receivables and Collections

- There are 4 significantly delinquent unit owners. I understand that they have been sent to collections in a timely manner, and that the board expects this to be resolved soon. However, we should re-evaluate this when preparing the draft of the 2025 budget because we may need to budget for bad debt expense if these delinquencies cannot be resolved in 2024.

Equity Levels

- It is widely accepted that associations should maintain an operating equity level equal to approximately 2 months of operating expenses. The Association's operating equity is currently equal to 2.47 times the monthly expenses and is expected to increase throughout 2025. The board may want to consider budgeting for Prior Year Surplus in 2025. This would reduce the operating assessments for 2025. We can re-evaluate the available amount as we work on the budget in the coming months.
- The Association has not yet funded reserves or obtained a reserve study. The property manager is in the process of hiring a reserve study specialist. The Association should begin funding reserves based on this study.

Items to be Researched

- Check #293 in the operating account has been outstanding since January 29th, which means that it is now stale dated. I suggest that the property manager contact the vendor to verify that the amount is still owed, and that the vendor does not have the check in their possession. The check should then be voided, and a new check should be issued if the amount is still owed.

Variances

- Power – There has been a significant decrease in this expense since February. The property manager believes that this is the result of the fountains being turned off while they are being repaired.
- Trash Collection – Per recent discussion with the trash collection company regarding their bills, it appears that they accidentally billed the Association for weekly collection of a 2 yard container rather than a 5 yard container. As a result, this expense is expected to increase, and the Association will need to pay for the amount that was underbilled.
- Water and Sewer – As a result of the increased expense, the board hired a company to check for leaks around the property. No leaks were found. It appears that the Association will need to increase the budget for this account next year.

Other

- The budget was amended early in 2024 to remove the budgeted amount for Management Fees because it is already paid through the Master Assessment. For this reason, the budget reflects a $4,500 surplus each month. This is expected to increase the net income for the year, which should increase the Prior Year Surplus that can be included in the 2025 budget. This is discussed further in the Equity Levels topic above.
- The board should engage an audit firm for the 2024 audit. I can recommend some companies if necessary.
- The board may want to contact the attorney to discuss their options related to the working capital balance. Usually, after developer turnover, the board can decide to transfer these funds to any fund (operating, reserves, or special assessment). The board may want to wait for the results of the reserve study before deciding how to allocate those funds.
- At the next board meeting, the board should ask the membership to adopt the Revenue Ruling 70-604 Resolution. This should then be document in the minutes of the meeting. The purpose of this resolution is to allow the Association to defer tax on net membership income. The resolution must be passed in the current year. Even though the tax preparer may decide that the resolution was not necessary for a certain year, it is best practice to pass this resolution each year.