

Board of Managers

Gary Frost
Connie Grasso
Jim Guy
Rick Jachimiak
Darcy Young, President

HICKORY GROVE VILLAGE CONDOMINIUM
PO BOX 614
WEST SENECA, N.Y. 14224

May 15, 2020

Hickory Grove Village Condominium Homeowners
Cheektowaga, NY

Re: 2019 Annual Statement and Related Documents

Dear Homeowner,

The Hickory Grove Condominium Annual Statement, which includes the 2019 Independent Account's Review Report, financial statements, notes, and supplemental information, is enclosed for your review.

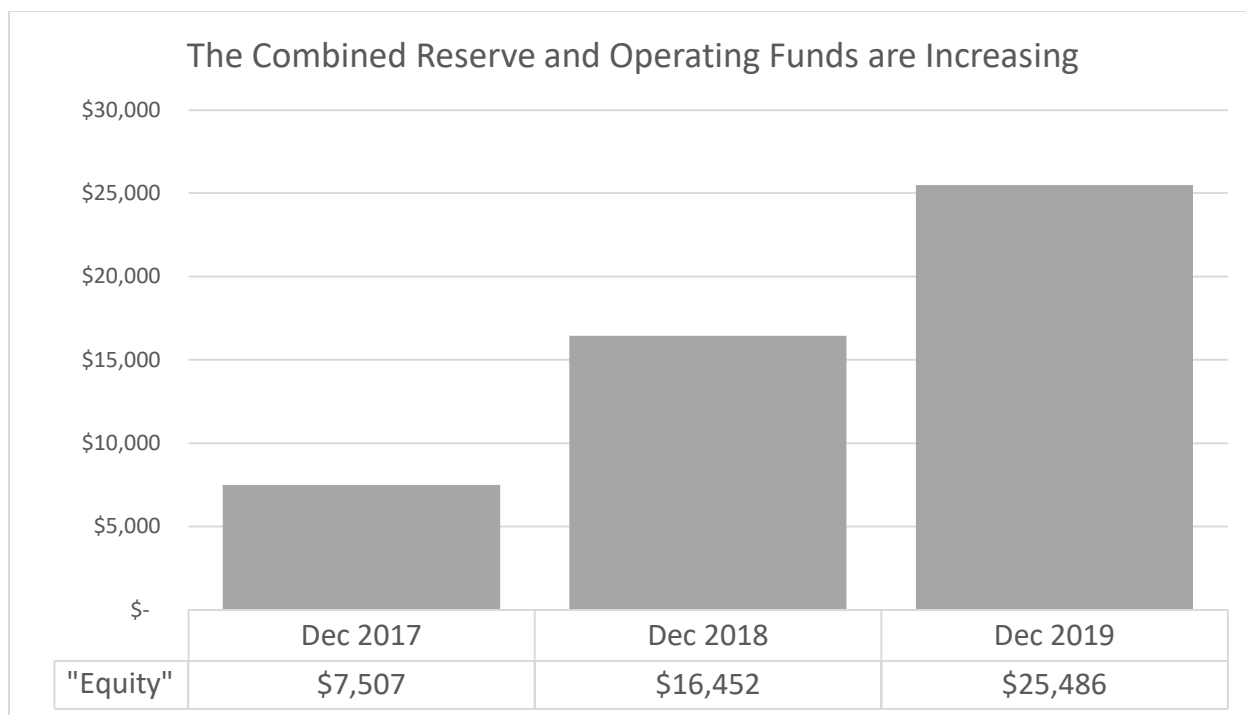
Also enclosed, are additional notes to the financial statements that are intended to supplement those included in the Annual Statement.

The last document is a memorandum used by the Board of Managers for their discussion of the Annual Statement and additional notes.

Each of these documents is also available on the Hickory Grove website. To get access to the website for your email address, please send a request to rjachimiak@gmail.com.

Sincerely,

The Board of Managers



In this package:

Annual Statement

Independent Accountant's Review Report 5 of 24

Financial Statements

Balance Sheets 7 of 24

Statements of Revenues, Expenses and Changes in Fund Balances..... 8 of 24

Statements of Cash Flows..... 10 of 24

Notes to Financial Statements..... 12 of 24

Supplemental Information

Schedule of Changes in Reserve Fund Balance..... 15 of 24

2019 Financial Statement Additional Notes 17 of 24

2019 Annual Statement Discussion 19 of 24

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

***FINANCIAL STATEMENTS
(REVIEWED)***

YEAR ENDED DECEMBER 31, 2019



CLARK & NIHILL

CERTIFIED PUBLIC ACCOUNTANTS

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

CONTENTS

	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Revenues, Expenses and Changes in Fund Balances	4
Statements of Cash Flows	6
Notes to Financial Statements	8
SUPPLEMENTAL INFORMATION	
Schedule I – Schedule of Changes in Reserve Fund Balance	11



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Managers
Hickory Grove Village Condominium Association, Inc.

We have reviewed the accompanying financial statements of Hickory Grove Village Condominium Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Board of Managers
Hickory Grove Village Condominium Association, Inc.

Summarized Comparative Information

We previously reviewed Hickory Grove Village Condominium Association, Inc. December 31, 2018, financial statements and in our conclusion, dated February 20, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

Supplementary Information

The Schedule of Changes in Reserve Fund Balance is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Required Supplementary Information

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America, require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.



Certified Public Accountants
West Seneca, NY
February 28, 2020

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2019

	Operating <u>Fund</u>	Reserve <u>Fund</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 9,784	\$ 27,442	\$ 37,226	\$ 20,440
Assessments receivable	187	-	187	350
Prepaid expenses	1,035	-	1,035	-
Interfund balances	<u>(4,949)</u>	<u>4,949</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>6,057</u>	\$ <u>32,391</u>	\$ <u>38,448</u>	\$ <u>20,790</u>
<u>LIABILITIES:</u>				
Accounts payable	\$ 2,390	\$ -	\$ 2,390	\$ 1,327
Prepaid assessments	10,570	-	10,570	3,007
Income tax payable	<u>2</u>	<u>-</u>	<u>2</u>	<u>4</u>
TOTAL LIABILITIES	<u>12,962</u>	<u>-</u>	<u>12,962</u>	<u>4,338</u>
<u>FUND BALANCES</u>	<u>(6,905)</u>	<u>32,391</u>	<u>25,486</u>	<u>16,452</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>6,057</u>	\$ <u>32,391</u>	\$ <u>38,448</u>	\$ <u>20,790</u>

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Reserve Fund	2019 Total	2018 Total
<u>REVENUES:</u>				
Assessments	\$ 156,787	\$ 13,757	\$ 170,544	\$ 159,600
Special assessments	-	19,760	19,760	-
Interest and other income	120	294	414	1,075
TOTAL REVENUES	156,907	33,811	190,718	160,675
<u>EXPENSES:</u>				
General and Administrative				
Management	16,872	-	16,872	16,416
Insurance	5,839	-	5,839	5,607
Professional	1,065	-	1,065	1,005
Miscellaneous	1,431	-	1,431	771
Income property and taxes	2	-	2	9
Total General and Administrative	25,209	-	25,209	23,808
Utilities				
Electricity	6,080	-	6,080	6,024
Water	15,484	-	15,484	15,416
Total Utilities	21,564	-	21,564	21,440
Maintenance				
Landscaping	48,234	-	48,234	48,914
Snow removal	52,824	-	52,824	46,801
Repairs and maintenance	10,752	-	10,752	10,767
Total Maintenance	111,810	-	111,810	106,482

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Reserve Fund	2019 Total	2018 Total
Reserves				
Reseal	-	1,598	1,598	-
Trees	-	21,503	21,503	-
Total Reserves	-	23,101	23,101	-
TOTAL EXPENSES	158,583	23,101	181,684	151,730
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(1,676)	10,710	9,034	8,945
FUND BALANCES				
-beginning of year	(5,229)	21,681	16,452	7,507
FUND BALANCES				
-end of year	\$ (6,905)	\$ 32,391	\$ 25,486	\$ 16,452

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (1,676)	\$ 10,710	\$ 9,034	\$ 8,945
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by Operating Activities:				
(Increase) Decrease in:				
Assessment receivable	163	-	163	750
Prepaid expenses	(1,035)	-	(1,035)	561
Increase (Decrease) in:				
Accounts payable	1,063	-	1,063	(2,242)
Prepaid assessments	7,563	-	7,563	(338)
Income tax payable	(2)	-	(2)	9
Net Cash Provided by Operating Activities	<u>6,076</u>	<u>10,710</u>	<u>16,786</u>	<u>7,685</u>
Financing Activities:				
Inter-fund balances	<u>4,013</u>	<u>(4,013)</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>4,013</u>	<u>(4,013)</u>	<u>-</u>	<u>-</u>

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating <u>Fund</u>	Reserve <u>Fund</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
Net Increase in Cash and Cash Equivalents	10,089	6,697	16,786	7,685
Cash and Cash Equivalents -beginning of year	<u>(305)</u>	<u>20,745</u>	<u>20,440</u>	<u>12,755</u>
Cash and Cash Equivalents -end of year	\$ <u>9,784</u>	\$ <u>27,442</u>	\$ <u>37,226</u>	\$ <u>20,440</u>
Supplemental Disclosure:				
Income taxes paid			\$ <u>4</u>	\$ <u>18</u>

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

A. Nature of Organization:

Hickory Grove Village Condominium Association, Inc. (the Condominium) was incorporated on July 28, 2010, in the State of New York. The Condominium is responsible for the operation and maintenance of the common property within the development. The development consists of 76 residential units located in Cheektowaga, New York.

B. Summary of Significant Accounting Policies:

1. Fund Accounting:

The Condominium's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the financial statements reflect accounts using fund accounting methods. Financial resources are classified for accounting and reporting purposes in the following funds according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Condominium. Disbursements from the fund are generally at the discretion of the Board of Managers.

Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from the fund may be made only for their designated purposes.

Inter-fund Balances – These balances generally arise when cumulatively through the balance sheet date one fund pays expenses or receives revenue of another or has, otherwise, borrowed from the other.

2. Use of Estimates:

The preparation of financial statements, in conformity with generally accepted accounting principles, requires the Condominium to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

B. Summary of Significant Accounting Policies (continued):

3. Cash and Cash Equivalents:

Cash and cash equivalents include currency on-hand and demand deposits with banks or other financial institutions.

4. Common Property:

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Condominium's financial statement, in accordance with industry practice.

5. Member Assessments:

Condominium members are subject to monthly assessments to provide funds for the Condominium's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments and the annual budget are determined by the Board of Directors. Any excess assessments at year-end are retained by the Condominium for use in future years. The monthly assessments were \$ 187 for the year ended December 31, 2019.

6. Income Taxes:

The Condominium has elected to file as a Homeowner's Association in accordance with Internal Revenue Section 528. Under this section, the Condominium excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. Investment, and other non-exempt income of the Condominium, is subject to Federal and New York State income tax. The Condominium is no longer subject to U.S. Federal and New York State income tax examinations by authorities for the years ended before December 31, 2016.

C. Future Major Repairs and Replacements:

The Condominium's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds aggregate \$ 32,391, at December 31, 2019, are held in separate accounts and generally are not available for operating purposes.

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

C. Future Major Repairs and Replacements (continued):

The Board is funding for major repairs and replacements of the estimated useful lives of the components considering amounts previously accumulated in the reserve fund.

Funds are being accumulated in the reserve based on estimates of future needs for repairs and replacements of common property. Actual expenditures may vary from estimated amounts, and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet all future needs for major repairs and replacements. The Condominium has the right to increase regular replacement fund assessments or levy special assessments for major repairs and replacements if additional funds are needed.

D. Subsequent Events:

Events that occur after the balance sheet date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. The Condominium has evaluated the activity of the Company, through February 28, 2020, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

HICKORY GROVE VILLAGE CONDOMINIUM ASSOCIATION, INC.

SCHEDULE I –

SCHEDULE OF CHANGES IN RESERVE FUND BALANCE

DECEMBER 31, 2019

<u>Description</u>	<u>Beginning Fund Balance</u>	<u>Additions to Fund Balance</u>	<u>Charges to Fund Balance</u>	<u>Other</u>	<u>Ending Fund Balance</u>
Interest	\$ 960	\$ 294	\$ -	\$ (1,148)	\$ 106
Road resurface	11,005	2,060	-	-	13,065
Sewer/water	5,822	669	-	-	6,491
Sidewalk	2,020	875	-	-	2,895
Asphalt rescal	(1,681)	1,239	(1,598)	2,078	38
Contingency	1,218	824	-	(931)	1,111
Fence	504	1,030	-	-	1,534
Pond	833	2,060	-	-	2,893
Trees	1,000	24,760	(21,503)	1	4,258
TOTAL:	\$ 21,681	\$ 33,811	\$ (23,101)	\$ -	\$ 32,391

[This page intentionally left blank]

TO: Hickory Grove Village Board of Managers

FROM: Rick Jachimiak, Treasurer

SUBJECT: 2019 Financial Statement Additional Notes

DATE: April 20, 2020

The following information is intended to supplement the Notes, A through D, that accompany the Hickory Grove Village Condominium Association Financial Statements for 2019.

E. Reserve Fund Activity and Balances. The Association accumulates funds for future major repairs and replacements in the following reserve fund accounts.

<u>Reserve Account</u>	<u>Balance 1/1/2019</u>	<u>Additions</u>	<u>Special Assessment</u>	<u>Withdrawals</u>	<u>Transfers³</u>	<u>Balance 12/31/2019</u>
2501 Res Interest	\$ 959.42	\$ 293.80			\$(1,147.17)	\$ 106.05
2568 Road Resurface ¹	11,005.00	2,060.00				13,065.00
2570 Sewer - Water Line	5,821.54	669.00				6,490.54
2575 Sidewalk Reserve	2,020.50	875.00				2,895.50
2580 Reseal / Patch	(1,680.37)	1,239.00		(1,598.62)	2,078.06	38.07
2585 Contingency	1,217.75	824.00			(930.89)	1,110.86
2590 Fence Replace	504.02	1,030.00				1,534.02
2595 Pond	833.38	2,060.00				2,893.38
2600 Tree ²	1,000.04	5,000.00	19,760.00	(21,502.50)		4,257.54
Totals	\$21,681.28	\$ 14,050.80	\$19,760.00	\$(23,101.12)	\$ -	\$32,390.96

The total reserve funds grew from \$21,681.28 at January 1, 2019, to \$32,390.96 at December 31, 2019, a net increase of \$10,709.68.

¹ The Road Resurface Reserve is overstated by \$1,522.50, which is the amount of the road repair costs incurred in 2018. In 2018, a road-repair transaction was inadvertently posted as a Repair/Maintenance expense. An adjusting transaction will be reflected in the 2020 financials. If the adjustment had been previously processed, the year-end Road Resurface Reserve balance would have instead been \$11,542.50 instead of \$13,065.00.

Similarly, the year-end total reserves balance would have been \$30,868.46 instead of \$32,390.96.

² There was a special assessment of \$260.00 per housing unit in 2019 to fund the removal of 27 dead trees along the eastern border of the property behind the

homes on Hickory Grove Lane. The Special Assessment totaled \$19,760.00 for the 76 homes and the total project cost was \$21,502.50.

Tree Removal	-	18,487.50
Related Cleanup and Lawn Repair	-	2,827.50
Related Siding Repair	-	187.50
Total Dead-Tree Removal Project Cost	\$	21,502.50

³ In 2019, The Board of Managers authorized adjustments among Reserve Fund accounts to eliminate a negative balance condition in the Reseal/Patch Reserve. These adjustments included transfers from both the Reserve Interest account and the Contingency Reserve account as indicated in the *Transfers* column above.

- F. Bank Accounts. Cash is deposited in checking and savings accounts at KeyBank. Interest earned on the savings account and Certificate of Deposit total \$293.80 and are credited to the Reserve Fund.

Checking/Savings	
1106 Key Checking	9,784.54
1207 Key Savings Acct.	13,671.20
1210 Key 11mo CD 6/1/20 2.2%	13,770.50
Total Checking/Savings	37,226.24

Accumulated reserve funds aggregate \$32,290.86, at December 31, 2019. The two bank accounts (savings and CD) intended to segregate the reserve funds from the operating funds have a combined balance of \$27,441.70 as of December 31, 2019. The remaining \$4,849.16 are classified as *Interfund* balances and are available for operating purposes.

- G. Prepaid Assessments. *Cash and Cash Equivalents* is boosted by \$10,470 in Prepaid Assessments as of December 31, 2019. That's \$7,563 higher than the \$3,007 in Prepaid Assessments at December 31, 2018.

Prepaid Assessments are the result of voluntary payment of the monthly assessments by Unit Owners before their due dates.

TO: Hickory Grove Village Board of Managers

FROM: Rick Jachimiak, Treasurer

SUBJECT: 2019 Annual Statement Discussion

DATE: April 28, 2020

The following is my analysis of the 2019 Financial Statements for the Hickory Grove Village Condominium Association, Inc. and the "2019 Financial Statement Additional Notes".

It is encouraging that the overall assets of the Association grew significantly in 2019. Including Reserves, the Total Equity of the Association increased by \$9,034 in 2019. The Reserve Fund improved by \$10,710, from \$21,681 to \$32,391, helping to ensure that there will be enough funds for future repairs and replacements.

However, there are four **areas of concern**. The following are the most serious areas of weakness in the financial statements as of December 31, 2019:

1. **The Operating Fund Cash is low**, less than one-month's expenses. This low level of operating cash creates a risk that the Association will from time to time have insufficient money to pay its bills on time. It also prevents the Association from keeping its operating funds segregated from its reserve funds.
2. **The Operating Fund expenses exceeded revenues** by \$1,676, thwarting progress in resolving the low level of Operating Fund Cash. Revenues were at the expected levels, while total expenses were over-budget. The higher expenses were primarily in two accounts: Salt/High Lift (\$958 over budget) and Repairs/Maintenance (\$1,463 over budget).
3. **Some Reserve Funds are comingled with Operating Funds** in the checking account. In practice, the Association uses a checking account for operating purposes. The savings account and certificate of deposit held about 85% of the Reserve Funds at year end, and the remainder was comingled with operating cash in the checking account. Although New York State regulations are mute on this topic, other-state regulations and *condominium-association-best-practices* suggest that reserve funds should not be comingled with operating funds. The risks are
 - Reserve Funds would not be available for their intended purpose from time to time in the future
 - Reduced financial discipline in the management of operating funds.
4. **The Reserve Fund is less than it appears**. The Road Resurface reserve is overstated by \$1,522.50, due to an inadvertent mis-posting in 2018. The risk is that a casual reviewer of the Financial Statements would conclude that there are more reserves than there actually are. Indeed, it was not known at the time of the reserve analysis in 2019, that Road Resurface Reserve was inflated. After the expected adjustment is made in 2020, the Road Resurface Reserve will be lower than previously projected. Future HOA Fee levels may need to be higher than previously projected to fund the reserve accounts.

On the plus side, the problem of a negative reserve balance in the Driveway Reseal Reserve was resolved in 2019.

RECOMMENDED CORRECTIVE MEASURES

The weaknesses suggest these **five corrective measures**:

1) Eliminate the deficit in operating funds.

- a. I now recommend including a specific *Operating Fund Replenishment* line in the 2021 and later annual budgets, until the deficit is eliminated.

- An “Operating Fund Replenishment” fee of \$14 per Unit per year should resolve the deficit within five years

$$\$14 \div 12 \approx \$1.17 \text{ per Unit per Month}$$

$$\$14 \times 76 \text{ Units} = \$1,064 \text{ per year}$$

$$\$1,064 \times 5 \text{ years} = \$5,320$$

- Using 2019 numbers,
 - the future Operating Fund Cash would then be enough to cover about 1.2 times a month’s expenses.
$$\$11,307 \text{ Adjusted Operating Fund Cash}_{2019} + \$5,320 = \$16,627$$
$$\$16,627 \div \$13,760 \approx 1.2$$
 - The Interfund Operational Payable could be eliminated
$$\$1,523 \text{ pending adjustment} + \$5,320 = \$6,843$$
$$\$6,843 > \$4,949$$
 - The negative Operating Fund Negative Balance (\$6,905) could then also be eliminated.

Many variables, such as future expenses and levels of prepaid assessments, will affect the actual numbers, but \$14 per Unit annually is a reasonable starting point for the 2021 budget.

- b. In the meantime, extra care should be taken to help ensure that the 2020 expense budget is not exceeded.

2) Process the correcting entry that will reduce the Road Resurface Reserve by \$1,522.50 in 2020.

3) Update the Required Reserve Calculations using revised Road Resurface Reserve balance (\$11,542.50 at December 31, 2019).

4) Affirm a goal of totally segregating the Operating Funds from Reserve Funds.

5) Ensure that the Treasurer is an active participant when the Certified Public Accountant creates the Financial Statements for 2020 and beyond.

ANALYSYS CHECKLIST

The following is a checklist, developed to analyze the annual financial statements of a condominium, applied to the Hickory Grove Village Condominium Association, Inc.:

a. Auditor Opinion and Notes

- i. ☒ Financial Statements are audited
- ii. ☒ Audit opinion is “clean” (statements fairly represent the financial position)
- iii. ☐ Notes to Financial Statements do not indicate ongoing or future problems?
Any past issues are or were properly addressed?
 - No issues were noted in Notes A through D of the Financial Statements.
 - However, two items stand out in the unofficial “Additional Notes to Financial Statements” in the memorandum by Rick Jachimiak, dated April 18, 2019:
 - ◆ *Additional Note E* says that the Road Reserve is overstated by \$1,522.50. The adjusting transaction will be processed in 2020. However, the overstatement, which was in effect as of December 31, 2018, and December 31, 2019, could (and did) lead to an inaccurate assessment of the adequacy of the reserves.
 - ◆ *Additional Note F* indicates that not all the Reserves are set aside in their own bank accounts.

b. Balance sheet

- i. ☐ Sufficient Operating Fund Cash to cover one-month’s expenses?
 - ◆ The Operating Fund Cash (\$9,784) is not enough to cover one-month’s expenses.
 - $\$165,115 \div 12 = \$13,760$ One Month’s Expenses in Budget.
 - $\$9,784 < \$13,760$
 - This is somewhat offset by the fact that the Operating Fund cash is understated by \$1,522.50 (because of the overstatement of the Repair Reserve discussed in Note E.1., above). However, even the *adjusted Operating Fund Cash* is insufficient to cover one-month’s expenses.
 - $\$9,784 + \$1,523 = \$11,307$ Adjusted Operating Fund Cash
 - $\$11,307 < \$13,760$
 - ☒ Any significant change from prior year is understood and proper?
 - The cash available at year end is due primarily to a surge in prepaid assessments: \$10,570 versus \$3,007 a year ago.
- ii. ☒ Accounts Receivable less than 10% of Assessments
 $\$187 \div \$170,544 = 0.01\%$
- iii. ☐ Any Interfund Balances are for a good and appropriate purpose (e.g., short-term bookkeeping convenience, avoid borrowing costs, maximize investment return, part of a fund-replenishment plan, etc.)?
 - ◆ The Interfund entries indicate that Operating Fund is using \$4,949 of the Reserve Funds. In effect there is \$4,949.26 in Operational Payable and \$4,949.26 in Reserve Receivable.
 - Ideally, all reserve funds would be segregated and not available for daily operations.

- Only 85% of the \$32,381 in Reserve Fund Balances are set aside in separate bank accounts.
 - The remaining \$4,949 are in the checking account so as to be available for operating fund purposes.
- iv. ☒ Accounts Payable less than 10% of Annual Expenses
- $\$2,390 \div \$165,115 = 1.4\%$
- v. ☐ Operating Fund Balance is a positive number?
- The Operating Fund balance is *negative* \$6,905
 - The cash flow impact is mitigated by Prepaid HOA Fees (\$10,570).
 - It appears that operations are being funded by, in effect, using some of the money that was to be set aside for Reserve Funds.
 - Reserve Fund balances should be fully funded is segregated accounts and not used for operations.
 - Otherwise there may be insufficient funds when the reserve funds are needed, whether for planned expenditures or for emergencies.
 - Consider whether a Capital Replenishment budget line should be created in the 2021 budget.
 - In the meantime, any avoid unbudgeted discretionary spending.
- c. Statement of Revenues and Expenses and Changes in Fund Balances
- i. ☐ Excess (Deficiency) of Revenues Over Expenses is a positive number?
- The number is negative, indicating a deficiency of \$1,676
 - Expenses (\$158,583) exceed Revenues (\$156,907)
 - This reduced the Operating Fund Balance even further
 - The negative Operating Fund balance deteriorated from negative \$5,229 at 12/31/18 to negative \$6,905 at 12/31/19.
- ii. ☒ Any material changes in the Revenue Lines are understood and proper
- The special assessment for the dead-tree replacement project represents a one-time revenue of \$17,760
- iii. ☒ Any material changes in Expense lines are understood and proper
- Snow removal expense increased by \$6,023 (13%) from \$46,801 to \$52,824
 - The snow plow contract increased \$5,235 (+12%) to \$49,866, consistent with the three-year contract
- | Months | Per Month | Amount |
|-----------------|------------|----------|
| Jan-Feb-Mar-Apr | \$8,265.00 | \$33,060 |
| Nov-Dec | \$8,402.75 | \$16,806 |
| 2019 Total | | \$49,866 |
- The Salt and High Lift cost increased \$788 (+36%) to \$2,958
 - Partially offset by a \$680 reduction in Landscaping costs
 - Miscellaneous costs also increased by \$660 (86%) from \$771 to \$1,381
 - Includes replenishing envelope supply, printing, and postage

- iv. ☒ Reserve Funds Balances increased (after accounting for any use of funds for their intended purpose)
- Reserve Funds Balances increased from \$21,681 to \$32,391.
 - All \$13,757.00 in budgeted additions from HOA Fees occurred as planned. I
 - In addition, the savings accounts that hold most of the reserve funds generated \$298.80 in interest.

d. Schedule of Changes in Reserve Fund Balance

- i. ☒ Any charges to a Reserve Fund are for the intended purpose
- The Asphalt Reseal Reserve was charged \$1,598.62 for driveways re-sealed in 2019.
 - To eliminate a negative balance in the Asphalt Reseal Reserve, the Interest Reserve was charged \$1,147.17 and the Contingency Reserve was charged \$930.89. The total of \$2,078.06 was transferred to the Asphalt Reseal Reserve at the direction of the Board of Managers.
 - The Tree Reserve was charged 21,502.50 for the dead-tree removal project.
 - Offset by special assessment revenues of \$19,760.00.
- ii. ☒ Each Fund Balance is a positive number

ACTUAL VERSUS BUDGET FULL YEAR

The following compares actual revenue and expenditure to the budgeted amounts. This information may be helpful in the preparation of the 2021 budget.

4/28/2020	Actual V. Budget					
	Budget 2017	Actual 2017	Diff	Budget 2018	Actual 2018	Diff
4010 Assessment Income	159,600.00	159,600.00	-	159,600.00	159,600.00	-
5220 Investment Interest	75.00	157.24	82.24	-	210.52	210.52
5310 Late Fees	150.00	200.00	50.00	-	220.00	220.00
5390 Misc income	-	-	0	-	643.51	643.51
	\$ 159,825.00	\$ 159,957.24	\$ 132.24	\$ 159,600.00	\$ 160,674.03	\$ 1,074.03
7210 Electric	6,000.00	6,396.24	396.24	6,000.00	6,024.05	24.05
7150 Water	15,000.00	13,561.12	(1,438.88)	15,000.00	15,415.90	415.90
7495 Weed N Feed	3,600.00	7,564.66	3,964.66	3,780.00	3,567.00	(213.00)
7503 Additional Landscaping	3,329.00	698.48	(2,630.52)	-	1,847.08	1,847.08
7505 Mulch	10,008.00	6,166.13	(3,841.87)	-	-	-
7520 Lawn Maintenance Contract	41,325.00	42,153.00	828.00	45,000.00	43,500.00	(1,500.00)
7525 Hydrant Inspection	900.00	978.75	78.75	900.00	978.75	78.75
7530 Snow Plow Contract	40,100.00	40,777.60	677.60	42,151.00	44,631.00	2,480.00
7535 Salt High Lift	2,000.00	2,512.13	512.13	2,000.00	2,169.56	169.56
7540 Sprinkler Maintenance	3,500.00	5,415.66	1,915.66	5,200.00	4,750.04	(449.96)
7560 Repairs / Maintenance	2,000.00	6,666.71	4,666.71	2,000.00	4,327.99	2,327.99
7570 Back Flow RPZ Inspection	500.00	610.00	110.00	610.00	710.00	100.00
8250 Legal Fees	750.00	60.50	(689.50)	750.00	-	(750.00)
8256 Tax Preparation	700.00	865.00	165.00	900.00	1,005.00	105.00
8270 Management Fee	16,416.00	15,768.00	(648.00)	16,416.00	16,416.00	-
8320 Office / Postage	500.00	1,478.26	978.26	750.00	771.24	21.24
8350 Meeting Expense	-	46.80	46.80	-	-	-
8415 Insurance	5,500.00	5,306.64	(193.36)	5,500.00	5,606.61	106.61
8590 NYS Franchise Tax	100.00	13.00	(87.00)	100.00	9.00	(91.00)
8600 Property Tax	3,785.00	3,193.83	(591.17)	2,040.00	-	(2,040.00)
8990 Miscellaneous Expense	-	280.00	280.00	-	-	-
Donation	-	-	-	-	-	-
9500 Reserve Funding	3,812.00	3,969.24	157.24	10,503.00	8,050.96	(2,452.04)
	\$ 159,825.00	\$ 164,481.75	\$ 4,656.75	\$ 159,600.00	\$ 159,780.18	\$ 180.18
Net Income	-	(4,524.51)	4,524.51	-	893.85	(893.85)
9101 Reserve Interest	-	157.24	157.24	-	210.52	210.52
9160 Reseal Reserve	1,500.00	1,500.00	-	1,203.00	1,203.00	-
9185 Asphalt/Resurface Reserve	-	-	-	2,000.00	2,000.00	-
9190 Sewer/Water Line Reserve	650.00	650.00	-	650.00	650.00	-
9192 Concrete Reserve	850.00	850.00	-	850.00	850.00	-
9195 Contingency Reserve	812.00	812.00	-	800.00	800.00	-
9196 Fence Reserve	-	-	-	1,000.00	504.02	(495.98)
9197 Pond Reserve	-	-	-	2,000.00	833.38	(1,166.62)
9198 Tree Reserve	-	-	-	2,000.00	1,000.04	(999.96)
Total Reserve Funding	\$ 3,812.00	\$ 3,969.24	\$ 157.24	\$ 10,503.00	\$ 8,050.96	\$ (2,452.04)
	\$ 170,544.00	\$ 170,544.00	-	\$ 170,544.00	\$ 170,544.00	-
	170,544.00	170,544.00	-	170,544.00	170,544.00	-
	-	19,760.00	19,760.00	-	19,760.00	19,760.00
	-	413.80	413.80	-	413.80	413.80
	-	-	0	-	-	0
	\$ 170,544.00	\$ 190,717.80	\$ 20,173.80	\$ 170,544.00	\$ 190,717.80	\$ 20,173.80
7210 Electric	6,000.00	6,080.51	80.51	6,000.00	6,080.51	80.51
7150 Water	16,000.00	15,483.74	(516.26)	16,000.00	15,483.74	(516.26)
7495 Weed N Feed	4,153.00	3,733.75	(419.25)	4,153.00	3,733.75	(419.25)
7503 Additional Landscaping	1,457.00	1,272.08	(184.92)	1,457.00	1,272.08	(184.92)
7520 Lawn Maintenance Contract	43,500.00	43,228.12	(271.88)	43,500.00	43,228.12	(271.88)
7525 Hydrant Inspection	900.00	978.75	78.75	900.00	978.75	78.75
7530 Snow Plow Contract	49,590.00	49,855.50	275.50	49,590.00	49,855.50	275.50
7535 Salt High Lift	2,000.00	2,958.00	958.00	2,000.00	2,958.00	958.00
7540 Sprinkler Maintenance	5,200.00	5,600.79	400.79	5,200.00	5,600.79	400.79
7560 Repairs / Maintenance	2,000.00	3,462.87	1,462.87	2,000.00	3,462.87	1,462.87
7570 Back Flow RPZ Inspection	710.00	710.00	-	710.00	710.00	-
8250 Legal Fees	750.00	-	(750.00)	750.00	-	(750.00)
8256 Tax Preparation	1,005.00	1,065.00	60.00	1,005.00	1,065.00	60.00
8270 Management Fee	16,872.00	16,872.00	-	16,872.00	16,872.00	-
8320 Office / Postage	750.00	1,381.11	631.11	750.00	1,381.11	631.11
8350 Meeting Expense	-	-	-	-	-	-
8415 Insurance	5,800.00	5,838.61	38.61	5,800.00	5,838.61	38.61
8590 NYS Franchise Tax	100.00	2.00	(98.00)	100.00	2.00	(98.00)
8600 Property Tax	-	-	-	-	-	-
8990 Miscellaneous Expense	-	-	-	-	-	-
Donation	-	-	-	-	-	-
9500 Reserve Funding	13,757.00	33,810.80	20,053.80	13,757.00	33,810.80	20,053.80
	\$ 170,544.00	\$ 192,393.63	\$ 21,849.63	\$ 170,544.00	\$ 192,393.63	\$ 21,849.63
Net Income	-	(1,675.83)	1,675.83	-	(1,675.83)	1,675.83
9101 Reserve Interest	-	293.80	293.80	-	293.80	293.80
9160 Reseal Reserve	1,239.00	1,239.00	-	1,239.00	1,239.00	-
9185 Asphalt/Resurface Reserve	2,060.00	2,060.00	-	2,060.00	2,060.00	-
9190 Sewer/Water Line Reserve	669.00	669.00	-	669.00	669.00	-
9192 Concrete Reserve	875.00	875.00	-	875.00	875.00	-
9195 Contingency Reserve	824.00	824.00	-	824.00	824.00	-
9196 Fence Reserve	1,030.00	1,030.00	-	1,030.00	1,030.00	-
9197 Pond Reserve	2,060.00	2,060.00	-	2,060.00	2,060.00	-
9198 Tree Reserve	5,000.00	24,760.00	19,760.00	5,000.00	24,760.00	19,760.00
Total Reserve Funding	\$ 13,757.00	\$ 33,810.80	\$ 20,053.80	\$ 13,757.00	\$ 33,810.80	\$ 20,053.80