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INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors,  
Windermere Oaks POA:

We have performed the procedures listed below, which were agreed to by Patti Flunker, President of Windermere Oaks Property Owners Association (the Association), solely to assist with respect to the accounting records of the Association for the year ending December 31, 2009. The Board of Directors is responsible for the Association's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

**1. Procedure:** Perform tests, by random statistical sampling, that Management Company invoices are substantiated by proper documentation and expenditures are a type approved by the board.

Findings: The Association paid the Management Company the following amounts for the year ending December 31, 2009:

Management fees	9,000
Payroll Admin	4,800
Web hosting	675
Postage & Supplies	<u>2,381</u>
Total	16,856

Management, payroll, and web hosting fees are consistent with agreements and published budgets provided us. Reimbursements for postage and mailing were properly documented in the month vouched in procedure 4.

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**2. Procedure:** Inquire about collection procedures by Management Company for current and delinquent accounts receivable.

Findings: Bills for current and delinquent accounts receivable appear to be sent out in a customary manor. Delinquent accounts were charged late fees with the exception of one account which has been referred back to the management company for research and possible action.

**3. Procedure:** Examine invoices from attorneys concerning delinquent accounts collections and filings.

Findings: The accounts receivable subsidiary ledger was scanned for legal fees or charges pertaining to legal expenses added to delinquent accounts for the year ended December 31, 2009 and none were found. Invoices from attorneys for the year were examined for collection efforts and filings for the year and none were found.

Findings: Accounts receivable balances are currently the following:

2010	19,215
2009	7,004
2008	4,838
2008 legal fees	1,313
2008-9 late fees	6,974
Prior	<u>115,867</u>
Total	155,867

Recommendation: Consult with a property tax attorney concerning reinforcement of liens, possible repossession, or write off of uncollectible receivables.

**4. Procedure:** Vouch, by random statistical sampling, an appropriate number of disbursements for proper endorsement of check, proper documentation of expenditure and tracing to the general ledger for accurate reporting.

Findings: The check register for October 2009 was used to vouch the proper documentation, endorsement of check, and accurate reporting. We found the checks written had the proper documentation of expenditure, proper endorsement of check, and proper posting to the general ledger.

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**5. Procedure:** Review revenue and expense recognition procedures.

Findings: Revenue is recognized when deposited. Expenses should be recognized in the period incurred. According to the management company representative, they have never seen the bank statements on the petty cash account. The petty cash account should be maintained at the \$4,000 level that is shown on the monthly financial statements, however, there were 2 checks (10/13/09 and 2/25/10) that were for 6,716 and 6,001, respectively. The only conclusions are 1. the financial statements are incorrect and 2. there has not been a proper accounting of transactions in the account. We examined all four reimbursements to the account for the year ended December 31, 2009 and all expenditures were properly documented.

Recommendation: All bank statements of the petty cash account should be turned over to the management company for proper accounting. Bank statements should not be mailed to the board or any member of the association. We believe all receipts should be collected by the management company and all disbursements paid by the management company.

Findings: There is a note receivable on the balance sheet from the water company and the income statement budget includes both principal and interest.

Recommendation: Principal repayments should be posted to the note receivable and interest income to the income statement budget account.

Findings: In July, 2009, there was a reimbursement from the insurance company for \$5,024 for hail damage repairs to the association's roof. The reimbursement was posted against insurance expense instead of roof repair where the cost was posted.

Recommendation: Offsetting costs and reimbursements should be posted to the same accounts to protect the integrity of the following year's budget process.

**6. Procedure:** Review federal and state income tax return.

Findings: The association is in good standing with the state and is exempt from state tax.

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We reviewed the federal income tax return and found an error and a couple of inconsistencies that will require further investigation, the results of which will be communicated to the president at the conclusion.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Windermere Oaks Property Owners Association Board of Directors and is not intended to be and should not be used by anyone other than those specified parties.

We appreciate the opportunity to serve you. If you have any questions or concerns, please feel free to contact our office.

Very truly yours,

Jane Allen, CPA  
June 7, 2010

Where is the information on dollars not matching up on P&L and what is in the bank

Taxes

Petty Cash

Closing out on the 25<sup>th</sup> instead of the 30<sup>th</sup>.