

Subject:
Discussion Regarding Audits

2022 Audit

There appears to be some confusion as to the purpose and results of the 2022 audit. Canady & Canady conducted an audit on the financial statements for the year ended December 31, 2022. There was no scope limitation. This means that all accounts, documents, and records were included in the audit procedures and are reflected in the audit opinion.

Typically, an audit is conducted within the first 90 days after year-end. Canady & Canady began their fieldwork in September 2023, nine months after year-end and delivered the audit report in April 2024, sixteen months after year-end. The information in the management letter and proposed adjusting entries provided limited value due to such a delay.

The Association faced two significant hurdles in preparing for the audit. First, the accounting records had never been kept in accordance with Generally Accepted Accounting Principles, requiring a complete reconstruction of the 2022 accounting records.

Secondly, to the best of our knowledge, prior to 2023 the Association had never prepared a balance sheet, which lists all the asset, liability, and equity account balances. We were able to confirm the beginning balances of all the cash accounts, accounts receivable, and accounts payable. There was insufficient information to determine some of the other beginning balances, thus the audit report states that the financial statements are fairly stated except for the inability to verify some of the beginning balance sheet account balances.

Proposed Limited Engagement Audit

Based on the discussion at the 8.14.24 planning meeting it appears that the Treasurer is recommending an audit of the 2023 transactions into and out of the Rio Bank Restricted Money Market Fund, A/C #11105. This certainly does not require the services of an auditing firm as there is a complete audit trail in QuickBooks. Since the Association has a new CPA firm doing the bookkeeping and preparing the monthly financial statements it would make sense for them to examine the transactions in question.

The segregation of restricted accounts was first proposed to the former Treasurer in June 2023. On June 29, 2023, the Rio Bank Restricted Money Market Fund A/C #11105 was established with an initial deposit of \$10,000. Our goal was to combine the CDs with this restricted money market account into a pool of interest-bearing assets that would support the balances in the restricted equity accounts (Primary Reserve Fund, Secondary Reserve Fund, and CIF). The first attempt to bring the account balance up to what we expected was an \$85,000 deposit on 11.17.23. The payments of \$2,000 for November and December on the internally financed loan were deposited in this account as well. As of 12.31.23, the investment pool had a balance of \$450,544 which was within \$700 of the balances in the combined restricted equity accounts. The new CPA firm will have no difficulty reviewing the general ledger transactions in QuickBooks.

Sid & Terry Glandon
Lot 93