

Executive Summary

- The Rio Bank Restricted Money Market Fund is one of five financial instruments that make up the restricted cash investment pool.
- There has never been a separate CIF cash account.
- Current period CIF transactions have traditionally been processed through the Operating checking account.
- The residual (if any) of CIF revenues over expenditures has been reported in the equity section of the balance sheet but the cash has never been separated from the Operating account.
- Working capital has been, by default, provided by the Operating fund to support the cash flow requirements of the CIF fund.
- The Treasurer is comingling CIF current period transactions with restricted cash that corresponds to the Primary and Secondary Reserve Equity Funds.
- If a separate CIF cash account is required, it would be most appropriate to use a checking account.

Restricted Cash Accounts/Restricted Equity Funds

Before addressing the following transcript from the Board meeting regarding the Rio Bank Restricted MMF (bank account #xxx7551, GL A/C #11015) it might be instructive to provide some background information. The restricted investment pool of \$450,544 consisted of the Rio Bank Restricted MMF plus four CDs at Alliance Bank on December 31, 2023. The total Restricted Equity Funds in the Balance Sheet was \$451,228 thus they were underfunded by \$684. This was a substantial improvement over prior years.

Account	Bank	Amount
Rio Bank Restricted MMF	Rio Bank	\$99,297
Alliance CD	Alliance Bank	200,000
Alliance CD	Alliance Bank	50,000
Alliance CD	Alliance Bank	50,000
Alliance CD	Alliance Bank	51,247
Total Investment Pool		<u>\$450,544</u>
Primary Reserve Fund		\$250,000
Secondary Reserve Fund		200,000
CIF Equity		1,228
Restricted Equity Funds		<u>\$451,228</u>

Solar Panel Project Loans

There are two Solar Panel Project loans: one with Western Alliance bank with monthly payments of \$1,760; the other is an internally financed loan from the Secondary Reserve Fund with repayments of \$25,000 per year. On December 31, 2023, the total outstanding debt was:

Lender	Monthly Payment	Balance
--------	-----------------	---------

Western Alliance Bank	\$1,760	\$191,549
Secondary Reserve		
Fund*	2,000	200,000
Total		
Payments/Balance	<u>\$3,760</u>	<u>\$391,549</u>

* With the exception of the January payment of \$3,000 the monthly payments are \$2,000 for a total of \$25,000 per year.

Treasurer's Presentation Regarding CIF Fund

The Treasurer asserted that Rio Bank Restricted MMF (bank account #xxx7551, GL A/C #11015) was a CIF account. This is NOT correct. This account is one of five financial instruments in the investment pool of restricted cash accounts that support the funding of the Restricted Equity Funds. On December 31, 2023, there was a total of \$544 of CIF money in this account. The following is a table of transactions in this account from inception through February 3, 2024.

Date	Description	Amount	Balance
06/29/23	Establish Account	\$10,000.00	\$10,000.00
06/30/23	Interest	0.99	10,000.99
07/13/23	Error - Loan	(30,000.00)	(19,999.01)
07/24/23	Correction of Error - Repaid Loan	30,000.00	10,000.99
07/31/23	Interest	15.29	10,016.28
08/31/23	Interest	15.31	10,031.59
09/30/23	Interest	14.35	10,045.94
10/31/23	Interest	15.85	10,061.79
11/17/23	Transfer from Jumbo MMF	85,000.00	95,061.79
11/29/23	Payment - Internally Financed Loan	2,000.00	97,061.79
11/30/23	Interest	81.08	97,142.87
12/28/23	Payment - Internally Financed Loan	2,000.00	99,142.87
12/31/23	Interest	154.58	99,297.45
		<u>\$99,297.45</u>	<u>\$99,297.45</u>
01/24/24	Loan to General Fund	(\$20,000.00)	79,297.45
01/29/24	Loan to General Fund	(10,000.00)	69,297.45
02/03/24	Repayment of Loan	30,000.00	99,297.45
	Payment - Internally Financed Loan	3,000.00	<u>\$102,297.45</u>

When the former Treasurer transferred cash between accounts to manage cash flow, he provided the Accounting Clerk with a document that provided the journal entry with account numbers, amounts, and descriptions. These documents should be in the administrative office. We would have preferred to have the ability to provide more information directly in QuickBooks but one of the shortcomings of QuickBooks is that the space for transaction descriptions is limited.

It appears that the current Treasurer is using this account to record current CIF transactions, which is not appropriate. The only transactions that should have been

recorded in this account are the monthly interest earned and the six \$2,000 per month (\$12,000) payments on the internally financed Solar Panel Loan which is transferred from the operating account.

If the Treasurer wishes to have a separate CIF account for current period transactions she should open a checking account. One of the reasons that we did not pursue this last year is that there are many times when the CIF expenditures exceed the CIF revenue which would result in an overdraft. If the Board wants to provide adequate working capital for a CIF checking account to support the appropriate cash flow requirements, this might be an option. However, it introduces an unnecessary level of bureaucratic complexity to the accounting information system, which compromises internal controls.

Transcription from the BOD Meeting:

Terry Glandon: You were talking earlier, Vicki, about the restricted funds in the money market and the CD's and I just want to remind everybody, the purpose of those restricted funds in the first place was from the sale of the property to the school. There was \$500,000 that was set aside. And, at that time, the money from that sale should have been put into restricted accounts that could not be used for operating or anything else. That didn't happen. It should have, but that didn't happen. Then the association borrowed from the fund for the Roof Solar Project. I think was \$125,000 and that it's being paid back over five years, for a total of \$125,000. And again, that money should have all been set aside in restricted funds and not used for anything else.

So, I'm giving some background for people who are not aware where that money came from in the first place because you said there's no reason, there's no apparent reason, for the initial deposit of \$10,000 in a restricted money market account and then there was another \$85,000 deposit in November. What was happening is we were trying to catch up in restricted funds that could not be used as operating funds, in a separate account, in a restricted money market account...

So, there was a reconciliation to say where that money had come from and it's all because of the sale of the property to the school district, it never should have been put in any operating account to be spent, but it was.

Now it has been transferred into a separate account. Now, I know you talked for a while this morning where it is right now, but I did not have any of those papers in front of me, so it was a bit difficult for me to follow and I would like to get those papers, and I understand that Neil is going to be posting them on the website. Is that correct?

Vicki Violet: Terry, I need to address something. You're talking about something completely different. You're talking about the Alliance account, restricted funds from the sale of the property that went to the school. We didn't even discuss that today except for to make a motion for our general manager and our bookkeeper to have access to those on a read only. But I didn't speak at all about those restricted funds. That's completely separate, but I was speaking about what I provided were CIF. And that is from the sale

of homes and that goes into a restricted fund that was set up in July. Our, sorry of June of 2023, the simple transfer out of our general operating fund and absolutely no backup as to where that \$10,000. Oh, they came up to \$10,000. That money from the general operating account had been in there. The restricted funds have been in there for years, years and yet all we have is one journal entry of \$10,000. I expected to see a greater accounting for that money and then again, we about five or six months and then there was just one more large transfer. So, what we were talking about people sales...

Terry Glandon: *I don't think you and I are going to agree.*

Vicki Violet: *I do have the floor. Thank you.*

So what we were talking about is the new home sales, which right now is the \$2,280 that we receive at closing. That's what we were talking about, where there was zero discussion about the restricted funds that are held at Alliance Bank that back up the solar loan. So, you're confusing two different sets of restricted funds. We have not touched anything in the Alliance bank account with the exception of the solar loan, which I believe is about \$1,759 a month. Nothing I haven't. I even a lot. I just have the CDs just continue to roll over. I think our net, the second CD is ready to roll over. I just got the notification for the. So, if you want to talk about the CIF, which is at Rio Bank, we can talk about that. But I did not come prepared with anything from Alliance. You did ask for some specific journal entries that would show that the Alliance Bank account interest has been recognized. And I do have those printed out. And I'm ready to send them to you via electronic. Actually, I think I got the certified letter from Sid. So, they're ready to go. You can see the date that's typed at the top or printed at the top. So, if you want to talk about CIF, we can address CIF, but you are confusing two different restricted accounts.

Conclusion

To reiterate, the Restricted MMF (bank account #xxx7551, GL A/C #11015) is NOT a CIF account but rather one of five financial instruments in the restricted investment pool. Although we do not believe that it is practical to have a separate CIF checking account, if that is what the Treasurer chooses to do, an account should be established to process all CIF current period transactions. The Rio Bank Restricted MMF should be restored to its original balance of the six payments of \$2,000 (\$12,000) on the internally financed Solar Panel Project Loan.

Sid & Terry Glandon
Lot #93