

Treasurer's Report to CWHOA Members

1. 2020 Financial Audit and Review of CWHOA Accounts and Processes Conducted:

A financial audit and review were conducted in January and February of 2020.

At the direction of the Board, previous Treasurer, Rick Colgan, reviewed 4 years of financial statements and other financial data resulting in a financial document forwarded to the incoming Treasurer, Nancy Petty. The Treasurer compared Mr. Colgan's document with current bank statements, checkbook, and the financial documents prepared for the January Member Meeting by Board President, Linda Deaton.

An internal audit conducted by the current Treasurer in February 2020 included Mr. Colgan's financial data review of the previous four years, financial data provided by Linda Deaton, Board President, inspection of the Bank of the West accounts, and review of current separation of duties, dual check signatories, data storage, collection policies, and member financial safeguard measures.

Conclusion of review including the relatively small size of the HOA's financial holdings was shared with Member Rich Parrish. These findings along with his independent search for an appropriate external auditor resulted in the withdrawal of his January Meeting Motion to conduct an external financial audit at this time.

The Treasurer's audit of CWHOA documents including Articles of Incorporation, Bylaws and Covenants and policies recommends a more in-depth review of policies for compliance with Colorado HOA requirements. The Board is committed to conduct the review in 2020.

2. 2020 Budget:

The Revised 2020 Budget in this packet was developed from the audited materials plus the actions taken at the Member Meeting as well as recent actions taken by the Federal Reserve Bank. The Budget reflects the vote by the Members at the Member Meeting to set the 2020 annual dues at \$0.00 in order to reduce the HOA Reserve from its current level with the understanding the reserve level would be reviewed again at the 2021 Annual Meeting upon completion of an internal Reserve Level Study to be conducted by the Board prior to the 2021 Annual Meeting. The revised CWHOA Budget dated 03/20/2020 reflects the March 16, 2020 Federal Reserve Bank stimulus actions taken to reduce the interest rate to essentially zero. This action by the Federal Reserve severely reduces the ability to achieve significantly higher interest income by moving the savings from The Bank of the West to an external Money Market or High Interest account. The recommendation from the Treasurer to the Board is that these funds remain at Bank of the West at this time.

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3. US Income Tax for HOAs Reported on Form 1120-H:
The HOA pays tax on non-exempt income such as Interest. Other income is considered "exempt function income". The HOA pays tax on Interest income above a \$100 specific deduction value. Interest above \$100 is taxed at a 30% Rate. Year 2020 will be the first year that the HOA must file US Income Tax (at least in recent history).

4. CWHOA Bylaws and Covenants (CC& R) were provided to Members at the closing of the purchase of their residences. Additional copies are available upon request to the Board Director.

5. Reminder: CWHOA is required to comply with City of Fruita ordinances including snow removal, trailer parking, sidewalks, garage sales, etc.
Source: <https://www.fruita.org/cd/page/code-compliance>

Respectfully Submitted by Nancy Petty, Treasurer 03/20/2020