

February 17, 2014

Board of Directors
Ruby Ranch Homeowner's Association
P.O. Box 71
Buda, Texas 78610

To: The Board of Directors

As requested by the Board of Directors (the Board), I have reviewed the Financial Summary for the year ended 12/31/13 for the Ruby Ranch Homeowner's Association (the Association). A review primarily consists of applying analytical procedures to the financial data and making inquiries with appropriate personnel. In addition, I selected several accounts to test in further detail.

To verify the accuracy of the Financial Summary report, I tied the amounts to the 1/1/13 through 12/31/13 Cash Flow Report generated by Quicken and also clerically tested/recalculated the balance totals of the report.

The following procedures were performed for analyzing revenues:

- A. I agreed all of the deposits per the check register to the deposits per the bank statements for the entire year.
- B. I summarized the check register deposits by type (dues, late fees, resale and other) to ensure accuracy of the Cash Flow Report breakout. No exceptions were noted.
- C. I used the member's list to tie out several randomly selected member payments to ensure they were included as deposits. All were properly recorded in the cash register.

D. Exceptions

D1. A few of the member payments were not broken out into the proper category. For example, payments made on past due amounts were coded directly to dues rather than breaking out the prior years' gate fees.

D2. For multiple payments made on an account, the interest and gate fees may not have been broken out correctly. I have spoken with the Treasurer, Scott, Christians, and he will address this going forward.

E. Based on member payment dates, deposits appear to have been made timely.

The following procedures were performed for analyzing expenses:

A. I selected two months (February and July) of check payments from the check register to verify the propriety of the expense.

A1. All check payments agreed to supporting invoices or to an expense authorization form for the smaller miscellaneous or meeting related costs.

A2. Per the item 4(1) of the 11/27/12 Board minutes, a limit of \$500 was established for expenditures not requiring Board approval. However, there were invoices for ongoing utility, maintenance and legal costs, which did not have approval noted on the invoice or in the board minutes. It is recommended for the Board to approve specific vendors or expenditures not requiring approval; otherwise, approval on the invoice or in the Board meeting minutes is needed.

B. I analyzed several of the larger expense categories for reasonableness including mowing, utilities, bookkeeping and road and gates.

B1. I noted upon review of bookkeeping services, no payments were made to any vendor for the eight months from January through August 2013. Payments made during 2013 included: one for August through December 2012, one for September through November 2013 and one for December 2013.

B2. Payments for bookkeeping services should be made timely, such as on a monthly basis, and the related contracts should be procured more timely, as well, in order to pay for services rendered without a lapse.

C. The largest expense account analyzed was for Roads and Gates, which included the bridge repair following the October flooding. Payments made for these repairs were consistent with the KC Precision Contractors, Inc. agreement approved by the Board President, Christi Roberts. Also noted, the contractor's W-9 and liability insurance certificate were properly received.

Additional Considerations/Recommendations:

A. Per the Ruby Ranch Homeowner's Bylaws, Article XII states the Association shall establish at least two separate bank accounts for normal operating expenses and for reserves. Currently there is only one checking account into which all members' payments are deposited. However, there are four CD accounts for additional reserve funds. Members generally write one check for their total dues. Although it makes sense to maintain the one checking account since it would be tedious to move money from one account to another after it is deposited and since the funds are actually tracked in Quicken by operating, reserve, gate, etc., this issue should be addressed with and approved by the Board as Article XII's intent is to maintain entirely separate accounts for operating and reserve funds.

- B. Currently, the CD accounts are not being maintained as separate accounts in the accounting software Quicken. It is recommended the accounts are added in order to maintain all Association accounts in the same system. It should also be noted the maturity date on the financial statement for CD #420000135 has the previous year's expiration date and should be updated going forward.

Summary/Conclusion:

Based upon my review of the Associations 2013 Financial Summary, I am not aware of any material modifications that should be made to the accompanying financial report.

Sincerely,

Donna Egenolf