

2020 INTERNAL AUDIT REPORT

Prepared by Wayne Lucia

The Revised Code of Washington (RCW) permits home owners' associations (HOA) to vote and authorize an internal audit of association finances if agreed by a supermajority of members attending a regularly scheduled meeting. The audit specifically includes a review of expenses and monies held in reserve for future costs and contingencies. The HOA members approved the internal audit by HOA members. The process saves the HOH approximately \$5,000 each year. Four members, Amy Carrigan, Lee Holly, John Schick. and Wayne Lucia, were the members who did this year's audit on November 14, 2020.

The audit was informal and included three board members and the four HOA members meeting together with copies of financial records for each of us. Board members made brief presentations, explaining the significance of records provided, and answered questions from HOH members. Simply put, our Sierra Country Club HOA is in very sound financial condition currently and for the foreseeable future.

King Water and Sierra use the same accounting program where King writes our checks which are then given to the Board. The Board checks them for accuracy and that the payments are appropriate. Two board members not involved with the transaction must sign each check before funds can be drawn from an HOA account. Copies of the HOA check register were scrutinized at the audit.

The Association has an annual budget which is a prediction of anticipated incomes and HOA costs for the period. Ideally, income and costs should be about the same. A related accounting involves funds held in reserve and the capital costs Sierra will have over the next 30 or so years. This is of note because the HOA had two water wells with future plans to drill two more in a couple of years. Sierra is actively pursuing the new wells. Overall, the 2020 budget was amended to reflect the cost of the new wells, some cash reserves were tapped, and Sierra has improved its water situation several years earlier than planned. Perhaps best of all, the 30-year plan is intact, reserves are in good shape to meet our expected needs, and the future looks good here, notwithstanding the kind of year 2020 has been.

One thing of concern to prospective and current homeowners is whether the HOA will need to levy an assessment at some time. Unforeseen catastrophe can happen anywhere. Absent the unforeseen big event, Sierra members should not fear in the normal course of events. Our HOA is well managed, our costs are modest, and financial reserves are more than adequate. Financially, Sierra gets a solid A and maybe a gold star.