



HIGH LONESOME RANCH ESTATES PROPERTY OWNERS ASSOCIATION

P O Box 215, Elfrida, AZ 85610-0215
Official website: www.hlrpoa.com
Official BOD e-mail: admin@hlrpoa.com



**Minutes
Annual Membership Meeting
20 March 2021**

Annual Membership Meeting – Minutes

The annual meeting of the Association was called to order in Schieffelin Hall at about 1:00 pm by Vice President Margaret Shelburne and the Pledge was recited.

Present were the Board of Directors – Vice President Margaret Baxter Shelburne, Secretary Joel Levin, Treasurer Randy Kling, and Judy Rossbach – and a number of Association members: *[list to be added]*.

Mr. Kling, the treasurer presented the current Treasurer's report and the current budget, which will be posted on the HLRPOA web site.

Mr. Barfield presented the Financial Review Compilation Report, which he stated was compliant with Arizona legal requirements but not the Association bylaws which call for an audit. There were no financial problems or irregularities found, though there are procedural shortcomings in how money is requested and appropriated.

Ms. Shelburne announced her resignation from the Board of Directors effective at the end of the Annual Meeting, as she expects to be leaving the Ranch soon. That leaves two vacancies to be filled, with the resignation and departure in February of Mr. Alberti.

The meeting was suspended for the counting of the ballots for election of Board members to take the seats currently occupied by Mr. Levin and Ms. Rossbach, whose terms have expired.

Upon the reconvening of the meeting, the winners of the two seats up for election were announced:

Mr. R. W. Barfield
Ms. Barbara Crouch

At this point the meeting was adjourned and the new Board of Directors convened their meeting.

[Minutes of the Board of Directors meeting which followed are left to the new Secretary to provide.]

Respectfully submitted,

Joel B Levin, Secretary

Attachments:

2020 Treasurers Report
2021 Budget
Financial Review Compilation



SUMMARY: Our association started the year with \$31,692.92. We added another \$24,207.07 and spent \$19,442.10, thus ending the year with \$36,457.89.

DRAFT

Start-of-Year 2020 funds:

bbva Bank	\$2.00
Vantage West Credit Union Checking	\$12,192.17
Vantage West Credit Union Savings	\$20,027.75
Total:	\$31,692.92

Income during year 2020:

Assessment	\$23,755.05
Bank Interest	\$35.32
Document Fee	\$375.00
Postage Fee	\$41.70
Total:	\$24,207.07

Expenses during year 2020:

Administrative		\$2,460.46
Mailings	\$2,284.58	
Meetings	\$0.00	
PO Box	\$56.00	
Supplies	\$0.00	
Website	\$119.88	
Common Areas		\$13,618.08
Road Grading	\$13,475.00	
Road Repair	\$0.00	
Signs	\$143.08	
Windmill	\$0.00	
Services		\$3,281.00
Insurance	\$1,813.00	
Legal Fees	\$1,468.00	
Taxes		\$82.56
AZ Corp Commission	\$10.00	
AZ Income Tax	\$50.00	
County Taxes	\$22.56	
Tax Prep	\$0.00	
Total:		\$19,442.10

End-of-Year 2020 funds:

bbva Bank	\$2.01
Vantage West Credit Union Checking	\$16,409.05
Vantage West Credit Union Savings	\$20,046.83
Total:	\$36,457.89

2020 Annual Treasurer's Report (continued)

Expended Funds versus Budgeted Funds:

	Budget	Add'l Auth	Total Auth	Spent	Budget Delta	Auth Delta
Administrative						
Mailings	\$200	\$1,706	\$1,906	\$2,285	\$2,085	\$379
Meetings	\$50	\$0	\$50	\$0	\$50	\$50
PO Box	\$60	\$0	\$60	\$56	\$4	\$4
Website	\$100	\$20	\$120	\$120	\$20	\$0
Common Areas						
Road Grading	\$19,000	\$0	\$19,000	\$13,475	\$5,525	\$5,525
Road Repair	\$1,000	\$0	\$1,000	\$0	\$1,000	\$1,000
Signs	\$0	\$165	\$165	\$143	\$143	\$22
Windmill	\$200	\$0	\$200	\$0	\$200	\$200
Services						
Insurance	\$2,000	\$0	\$2,000	\$1,813	\$187	\$187
Legal Fees	\$1,000	\$600	\$1,600	\$1,468	\$468	\$132
Taxes						
AZ Corp Commission	\$10	\$0	\$10	\$10	\$0	\$0
AZ Income Tax	\$0	\$50	\$50	\$50	\$50	\$0
County Taxes	\$30	\$0	\$30	\$23	\$7	\$7
Tax Prep	\$100	\$0	\$100	\$0	\$100	\$100
Total:	\$23,750	\$2,541	\$26,291	\$19,442	\$9,839	\$7,606

Notes:

- Budget** - funds authorized in the annual budget deliberations.
- Add'l Auth** - additional funds authorized by the board during the year.
- Total Auth** - combined amount authorized in the budget and later by the board.
- Spent** - total of expenditures during the year.
- Budget Delta** - difference between expenditures and the budget.
- Auth Delta** - difference between expenditures and the total authorized.

Our total expenditures were \$4,308 less than our total budget, a difference of 18%. When we include the additional spending authorizations to the budget, the difference is \$6,849 less than our total authorized, or 26%. However, when we look at the individual differences in each of the budget items and combine them, we see that our spending was \$9,839 (41%) different from what we budgeted, and \$7,606 (29%) different from what we authorized.

We intentionally budget a little more than expected funding requirement so we can avoid the need for additional authorizations during the year, and thus pay invoices without delay. We were successful in meeting that intention, except for the following:

Road Grading expenses were well below our expectations (again, in 2020 as in 2019, we had only three road gradings rather than the four scheduled road gradings).

Legal Fees required additional funds when our attorney (and we) changed to another legal firm.

End-of-Year Additions included adding new signs at our entryways and buying mailing supplies in advance to save funds in future years.

2020 Annual Treasurer's Report (continued)

Income versus Annual Assessments:

Income Source	Income Amount
Assessment	\$23,755.05
Bank Interest	\$35.32
Document Fee	\$375.00
Postage Fee	\$41.70
Total:	\$24,207

Notes:

- Assessment** - Annual assessments collected in 2020 (includes late payments for 2019 and early payments for 2021).
- Bank Interest** - Combined interest on checking and savings (all accounts).
- Document Fee** - Reimbursement costs paid to the association by seller and/or buyer for providing mandatory reports and documents to new lot owners upon the sale of a lot or other transfer of ownership.
- Postage Fee**> - Reimbursement costs paid to the association by the owner for postage sent certified, return-receipt regarding overdue or delinquent accounts.
- Late Fee** - Fee paid to the association by the owner for assessment delinquency. (Not applied in 2020.)
- Late Interest** - Debt interest paid to the association by the owner for assessment delinquency. (Not applied in 2020.)

Based upon our 2020 budget of \$23,750, the board set the 2020 Annual Assessment amount at \$180 per lot, anticipating the collection of \$23,760. In addition to the assessment collection, we collected a small amount of bank interest. The reimbursement collections are not 'extra' funds as they directly defray unplanned and event-driven expenses.

Changes in 2020:

The responsibilities of the treasurer were reviewed in 2020, resulting in a few modest changes. These changes were intended to offer association members more visibility into the financial processes and procedures, and to eventually make members more confident that the association's financial resources are being managed prudently, transparently, and responsibly. Included in the changes were:

Creating and sharing a **financial calendar** showing the sequence and timing of steps and events involved in recurring procedures used for the annual budget, the annual assessments, tax filing, and mandatory reporting.

Actively soliciting **budget inputs** from the committees and from individual members. The inputs were not constrained, allowing requests to perpetuate, increase, or decrease funding of any item be it routine or unique, small or large, new or old. 26 inputs were submitted, vetted, and considered by the board. 14 items were approved for the 2021 budget, and two were approved and funded with end-of-year 2020 funds.

The board took clear and deliberate action to formally **approve all funding authorizations** granted during the year, though for some, the approval was an after-the-fact action. Every expenditure was reviewed by the board and was approved by board vote.

END OF REPORT



Taxes

AZ Income Tax	\$50.00	0.23%
County Taxes	\$30.00	0.14%
AZ Corp Commission	\$10.00	0.05%
Tax Prep	\$200.00	0.91%
	\$290.00	1.32%

Services

Insurance	\$1,850.00	8.42%
Legal Fees	\$1,100.00	5.01%
	\$2,950.00	13.43%

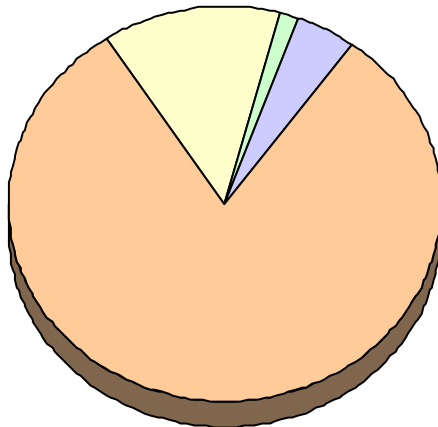
Common Areas

Road Grading	\$17,500.00	79.65%
Road Repair	\$0.00	0.00%
Windmill	\$250.00	1.14%
	\$17,750.00	80.79%

Administrative

County Recorder Fees	\$150.00	0.68%
Meetings	\$200.00	0.91%
PO Box	\$80.00	0.36%
Website	\$150.00	0.68%
Mailings	\$400.00	1.82%
	\$980.00	4.46%

\$21,970.00



- Administrative
- Common Areas
- Services
- Taxes

Financial Review of High Lonesome Ranch Estates Property Owners' Association – 2020
Completion Date 21 January 2021

A committee was formed to review the association's financial records as required by Arizona state law (ARS 33-1810). The committee's review of the Treasurer's records finds no issues with the financial accounting of the association's funds. There are, however, several procedural irregularities and shortcomings in the way the association's board of directors authorizes the expenditure of funds.

Members of the association should be able to trace every expenditure of their monies to a resolution by the board of directors -- a voted upon decision during an open meeting of the board of directors. The resolution should be recorded in minutes of the meeting. The minutes should be available to members for review so they are informed of decisions being made regarding the use of their monies. This isn't happening.

What is happening instead is that the board of directors is directing the expenditure of funds without adopting resolutions to do so and without informing the membership of decisions regarding their monies. On some occasions the board of directors has voted on a resolution but that decision was not recorded in minutes of the meeting where the resolution was adopted. On at least one and perhaps two occasions the board of directors met in closed session without first giving prior notice of their meeting -- a violation of Arizona state law (see ARS 33-1804) -- and made decisions resulting in the expenditure of \$275. There were at least eight meetings of the board of directors held in 2020 but the committee was unable to obtain access to minutes of these meetings prior to completing their review -- the result is no publicly available record of board resolutions to expend funds and association members are not being informed of how their monies are being used.

The committee's recommendation is to correct these irregularities and shortcomings by returning to procedures that conform to Arizona state law, the association's governing documents, and accepted standards of "best practice." Any resolution involving the expenditure of funds should be voted upon and adopted in a meeting by the board of directors that is open to the membership. All meetings by the board of directors should be announced in advance. Closed meetings (executive sessions) are not exempt from this requirement (see ARS 33-1804). Minutes of meetings of the board of directors should record any resolution directing the expenditure of funds. Minutes of meetings by the board of directors should be made available to the membership via publication on the association's official website in a timely fashion. Aside from conforming to state law, the result of adopting these best practices is an audit trail that traces every expenditure of funds back to a resolution by the board of directors while keeping the membership informed of decisions being made regarding the use of their monies.

Attached to this summary is a case-by-case discussion of the irregularities and shortcomings observed by the committee and our recommendations for corrective action.

Respectfully Submitted by the Committee

Beckie Hilgart
Louise Novak
Nance Ceccarelli
Robert-Wade Barfield

Financial Review of High Lonesome Ranch Estates Property Owners' Association – 2020
Completion Date 21 January 2020

Specific Observations and Recommendations

1) The association's bylaws require an annual review by a public accountant.

a) Observation: The association's bylaws require an annual review by a public accountant. ARS 33-1810 gives precedence to the more stringent requirement of the association's governing documents regarding an annual financial review. This review by a public accountant has not been completed nor have funds been budgeted or authorized for that review. (Article VIII, Section D of the Revised Bylaws of High Lonesome Ranch Estates Property Owners Association, as recorded in Cochise County 17 January 2014 and published on the association's website as a current governing document).

b) Recommendation: Budget for and complete an annual review by a public accountant as required by the association's bylaws.

2) Minutes of open meetings by the Board of Directors are not available to the membership.

a) Observation: There are no published final approved minutes of any board meeting at which expenditures were authorized by resolution for the year 2020. Aside from notes provided by the Treasurer the committee has no audit trail that connects the expenditure of funds to a resolution by the board authorizing the expenditures.

b) Recommendation: Publish on the association's website as public record the board-approved minutes of all meetings by the association's board of directors. Meeting minutes should record any board resolution regarding the expenditure of funds. This not only provides an audit trail authorizing the Treasurer's expenditure of funds but informs members of the association as to how their monies are being used and managed. See ARS 38-431.01 for reference.

3) Minutes of closed meetings by the Board of Directors are not available to the membership.

a) Observation: On two occasions (7 and 25 October 2020) the board met in executive session and on at least one of these occasions did so without first giving the required notice of a closed meeting (see ARS 33-1804 C & D) and at those meetings reportedly made resolutions regarding the expenditure of funds totaling \$275.00. An additional expense of \$15.15 was incurred on 9 November 2020 for action reportedly directed by the board but without a resolution made to fund the directed action until 5 December 2020. Minutes of these meetings have not been published and there is no record of resolutions authorizing the actions or the expenditure of funds. See ARS 38-431.01 for reference. (1026, 1027)

b) Recommendation: Give advance notice of closed meetings as required by ARS 33-1804. Record minutes of a closed meeting and document in the minutes resolutions regarding actions to be taken and the expenditure of funds. Approve minutes of closed meetings at the next open meeting of the board of directors and publish minutes of the meeting on the association's website. See ARS 38-431.01 for reference.

4) There is no record the published budget for 2020 was approved and adopted by the Board of Directors.

a) Observation: While there is an annual budget for the year 2020 published on the Treasurer's page of the official HLRPOA website there is no record the budget was voted on and approved by the board.

b) Recommendation: Record in the minutes of the meeting the resolution to approve and adopt an annual budget. Include documentation of the budget itself as an attachment to the minutes of the meeting. Publish minutes of the meeting with the attached budget documentation on the association's website.

5) Un-budgeted expenditures are not being authorized by formal board resolution until after the fact and are not being reported to the membership.

a) Observation: There were three un-budgeted expenditures in 2020 totaling \$197.35 that were not authorized by board resolution until long after the obligations were incurred and funds were disbursed. The resolutions authorizing the expenditures have not been recorded in published minutes of the meeting at which the funding decision was made. (1017,1018,1027)

b) Recommendation: Approve un-budgeted expenditures by board resolution prior to incurring obligations and prior to disbursing funds. Record resolutions authorizing un-budgeted expenditures in minutes of the meeting where such expenditures are authorized. Publish minutes of the meeting on the association's website serving both as record of the resolution authorizing expenditure of funds and to inform association members of the expenses incurred.

6) Expenditures exceeding budgeted amounts are not being authorized by formal board resolution until after the fact and are not being reported to the membership.

a) Observation: There were three over-budget expenditures in 2020 totaling \$170.51 that were not authorized by board decision until long after the obligations were incurred and funds were disbursed. None of the authorizations has been recorded in published minutes of the meeting at which the funding decision was made. (1011,1013,1014)

b) Recommendation: It is understandable that the final cost of budgeted items cannot always be accurately predicted a year in advance but the board should approve over-budgeted expenditures by board resolution prior to incurring obligations and prior to disbursing funds. Record resolutions authorizing over-budgeted expenditures in minutes of the meeting where such expenditures are authorized. Publish minutes of the meeting on the association's website serving both as record of the resolution authorizing expenditure of funds and to inform association members of the expenses incurred.

7) Un-budgeted expenditures reported to the committee as duly authorized (by voted-upon resolutions in a meeting by the Board of Directors) are not recorded in minutes of the meeting and are not being reported to the membership.

a) Observation: There were three un-budgeted expenditures totaling \$1677.03 in 2020 that were reported to the committee as authorized by the board prior to the disbursing of funds. None of the authorizations has been recorded in published minutes of the meeting at which the funding decision reportedly was made.(1026,1028,1030,franked envelope expense)

b) Recommendation: Record resolutions authorizing expenditures in minutes of the meeting where such expenditures are authorized. Publish minutes of the meeting on the association's website serving both as record of the resolution authorizing expenditure of funds and to inform association members of the expenses incurred.

Notes: numbers refer to the numbered check drawn on the association's account.

1011- over-budget expense of \$53.61 disbursed 30 January 2020; reportedly authorized by resolution 5 December 2020; no record of the resolution authorizing the expenditure.

1013 - over-budget expense of \$110.00 disbursed 14 February 2020; reportedly authorized by resolution 5 December 2020; no record of the resolution authorizing the expenditure.

1014 - over-budget expense of \$6.90 disbursed 14 February 2020; reportedly authorized by resolution 5 December 2020; no record of the resolution authorizing the expenditure.

1017 - un-budgeted expense of \$50.00 disbursed 12 July 2020; reportedly authorized by resolution 5 December 2020; no record of the resolution authorizing the expenditure.

1018 - four un-budgeted expenses totaling 132.20 disbursed 24 August 2020; action reportedly authorized 24 August 2020 but without accompanying funding resolution; funding reportedly authorized by resolution 5 December 2020; no record of the resolutions authorizing the action or expenditures.

1026 - un-budgeted expense of \$200.00 reportedly authorized by resolution on 7 October 2020 and 75.00 un-budgeted expense reportedly authorized by resolution on 25 October 2020; funds disbursed 9 November 2020; no record of the resolutions authorizing the actions or the expenditures.

1027 - un-budgeted expense of \$15.15 for action reportedly directed by the board without an accompanying resolution to fund the expense, disbursed on 9 November; funding reportedly authorized by resolution on 5 December 2020; no record of the resolution authorizing the action or expenditure of funds.

1028 - un-budgeted expense of \$93.00 reportedly authorized by resolution 5 December 2020 and disbursed 10 December 2020; no record of the resolution authorizing the expenditure.

1030 - un-budgeted expense of \$143.08 reportedly authorized by resolution 10 November 2020 and disbursed 10 December 2020; no record of the resolution authorizing the expenditure.