

**COTTONWOOD PALO VERDE AT SUN LAKES**  
**BOARD OF DIRECTORS**  
**MEETING MINUTES**  
**April 30, 2024**

**DIRECTORS PRESENT:** Leonard Horst, Marty Neilson, Frank Gould, Bud Jessen, Glenn Martinsen, Maryann Sinerius

**DIRECTORS NOT PRESENT:** Tami Ronnfeldt

**ALSO PRESENT:** General Manager, Steve Hardesty

**INVITED GUESTS:** *NONE*

**CALL TO ORDER:**

President Len Horst called the meeting to order at 3:00 PM in the CLC Steve Nolan Lecture Hall. He stated the meeting was being recorded for the accuracy of the minutes.

***Marty Neilson made a motion, seconded by Glenn Martinsen, to amend the April 30, 2024 Agenda.*** The floor was opened to Board & homeowner comments. There were no comments. ***Motion carried unanimously.***

**2023 AUDITED FINANCIALS & FINANCIAL RESULTS:**

Controller, Brian Sage explained that the audit was delayed this year due to the prior auditing firm terminating our audit at the end of November 2023, at which time a new auditing firm (Kimberlin Company) was hired, and scheduling issues were the result. The Audit Report showed no significant audit findings, no uncorrected misstatements, no issues with the Board or Management's representation letters. Prior Audits were not qualified, and the accelerated depreciation method was used to depreciate assets. Kimberlain Co. states that we should calculate depreciation using both US GAAP and the Tax Methodology. This resulted in Kimberlain giving the HOA a qualified report.

Mr. Sage asked if there were any questions from the Board or audience. Marty Neilson would like items clarified/explained at the next Board meeting 1) explain the difference between qualified and unqualified 2) primary area of disagreement between the old and new auditing firms involves accelerated depreciation (IRS requirements) or straight-line depreciation (US GAAP accounting). Is it necessary to have two types of books for calculating depreciation. Brian Sage stated our accounting system should be able to click on an item and it would calculate depreciation both ways. 3) implications to HOA by changing depreciation methodology. Brian Sage noted if you don't depreciate on the accelerated method, you have less depreciation expense and put more to the bottom-line. 4) if there were no issues with the depreciation methodology, would we remain unqualified. Brian Sage noted at this point he is not aware of any other issues.

Steve commented that the Audit firm was very pleased with the timely and accurate information received by our Accounting Department. The accelerated method is used for income tax purposes. GAAP refers to generally accepted accounting principles and has a longer depreciation timeframe.

SUN LAKES HOMEOWNERS ASSOCIATION NO. 2, INC.  
BALANCE SHEETS  
DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022

	2023			2022
	Operating Fund	Capital Funds	Total	Total All Funds
<b>ASSETS</b>				
Cash & cash equivalents	\$ 1,219,925	\$ 795,552	\$ 2,015,477	\$ 4,236,518
Certificate of deposits (CD's) - capital reserve	-	6,269,128	6,269,128	5,277,764
Accounts receivable, net	167,078	-	167,078	175,588
Inventory	373,545	-	373,545	406,069
Deposits	46,400	-	46,400	45,673
Prepaid expenses and other assets	76,006	-	76,006	63,182
Property and equipment, net	11,867,386	-	11,867,386	10,494,548
Operating leases right-of-use assets, net	39,546	-	39,546	-
<b>TOTAL ASSETS</b>	<u>\$ 13,789,886</u>	<u>\$ 7,064,680</u>	<u>\$ 20,854,566</u>	<u>\$ 20,699,342</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	\$ 112,279	\$ -	\$ 112,279	\$ 217,053
Accrued liabilities	592,093	-	592,093	639,470
Operating leases	39,546	-	39,546	-
Deferred income	3,003,340	-	3,003,340	2,804,221
<b>TOTAL LIABILITIES</b>	3,747,258	-	3,747,258	3,660,744
<b>FUND BALANCES</b>				
Contributed capital	7,120,662	-	7,120,662	7,120,662
Operating funds	2,921,966	-	2,921,966	2,550,963
Capital funds				
Palo Verde gate	-	3,482	3,482	3,482
Reserve designated in by-laws	-	500,000	500,000	500,000
Undesignated capital improvement fund	-	672,170	672,170	965,888
Undesignated capital reserve fund	-	5,889,028	5,889,028	5,897,603
<b>TOTAL FUND BALANCES</b>	<u>10,042,628</u>	<u>7,064,680</u>	<u>17,107,308</u>	<u>17,038,598</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 13,789,886</u>	<u>\$ 7,064,680</u>	<u>\$ 20,854,566</u>	<u>\$ 20,699,342</u>

SUN LAKES HOMEOWNERS ASSOCIATION NO. 2, INC.  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED  
 DECEMBER 31, 2022

	2023			2022
	Operating Fund	Capital Funds	Total	Total All Funds
<b>REVENUES</b>				
Member Assessments	\$ 5,274,635	\$ 840,840	\$ 6,115,475	\$ 5,886,303
Palo Verde gate assessments	-	249,634	249,634	239,260
Transfer and other fees	95,633	590,750	686,383	601,886
Golf courses	2,776,909	-	2,776,909	2,688,778
Restaurant and lounges	3,101,463	-	3,101,463	2,992,750
Other revenues	417,679	-	417,679	277,890
Interest income	45,614	103,875	149,489	57,041
<b>TOTAL REVENUES</b>	<b>11,711,933</b>	<b>1,785,099</b>	<b>13,497,032</b>	<b>12,743,908</b>
<b>EXPENSES</b>				
Salaries, payroll taxes and benefits	8,343,606	-	8,343,606	7,656,858
General and administrative	1,105,290	-	1,105,290	966,851
Repairs and maintenance	1,792,209	-	1,792,209	1,763,494
Utilities	788,680	-	788,680	712,273
Other expenses	295,292	-	295,292	348,736
Palo Verde gate expense	-	258,777	258,777	244,679
Depreciation	842,789	-	842,789	2,595,360
Maids	-	-	-	-
Income tax provision	50	-	50	50
Interest expense	1,629	-	1,629	-
<b>TOTAL EXPENSES</b>	<b>13,169,545</b>	<b>258,777</b>	<b>13,428,322</b>	<b>14,288,301</b>
<b>EXCESS OF REVENUES (UNDER) OVER EXPENSES</b>	<b>(1,457,612)</b>	<b>1,526,322</b>	<b>68,710</b>	<b>(1,544,393)</b>
<b>BEGINNING FUND BALANCES</b>	<b>9,671,625</b>	<b>7,366,973</b>	<b>17,038,598</b>	<b>18,582,991</b>
<b>INTERFUND TRANSFERS</b>	<b>1,828,615</b>	<b>(1,828,615)</b>	<b>-</b>	<b>-</b>
<b>ENDING FUND BALANCES</b>	<b>\$ 10,042,628</b>	<b>\$ 7,064,680</b>	<b>\$ 17,107,308</b>	<b>\$ 17,038,598</b>

**Board Motions**

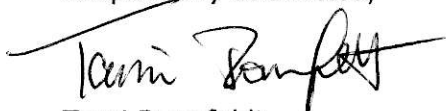
***Frank Gould made a motion, seconded by Marty Neilson, to accept the independent audit performed by Kimberlin Company of the Association's 2023 financial records as per the official audit report to the Association's December 31, 2023 financial report.*** The floor was opened to Board & homeowner comments. Len Horst noted the audit is a public document and available to homeowners for viewing. **Motion carried unanimously.**

**HOMEOWNER COMMENTS:**

- Homeowner Don Hicks asked if the HOA is on Kimberlin Company's schedule for next year. Brian Sage stated we will be establishing a schedule for the 2024 audit with a March timeline for completion. Len Horst noted today's meeting was set to meet the HOA Bylaw requirements. Steve Hardesty noted Kimberlin will be considered as well as other firms.

The meeting adjourned at 3:12pm.

Respectfully submitted,



Tami Ronnfeldt  
Board Secretary