

Dear Members,

As we move forward and settle into our roles as your Board of Directors, we are working to position CTTA to operate efficiently, cost effectively, and in compliance with the many rules and regulations we are subject to.

With the help of our consultant, we have put immediate focus on our finances including review of the Accounting Policy included in CTTA Park Operations Manual. Although it was last ratified in 2014, many components of the policy have been in place since long before and have become outdated. Some examples:

While working with Sara on the annual Reserve Study update, Laurie (our consultant) identified several items that should have been paid for with reserve funds rather than regular operating funds. However, a rule adopted by the membership in 1997 states that “no money be spent from the reserves in excess of \$5,000.00 in any one calendar year unless approved by 51% of the Membership”. Since 1997, several laws have been enacted by the state of California regulating requirements and restrictions related to reserve funding and spending, including the following which became effective in 2013:

Civil Code §5510:

(a) The signatures of at least two persons, who shall be directors, or one officer who is not a director and one who is a director, shall be required for the withdrawal of moneys from the association’s reserve accounts.

(b) The board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

CTTA’s current policy states that reserve funding will consist of Special Services income less the Cost of Goods Sold and any other income that exceeds total expenses for the fiscal year. This results in an unpredictable contribution to the reserves for two reasons – 1) the amounts cannot be accurately planned for; and 2) reserve funding must be provided with cash. Most “unbudgeted” income, such as late charges and fines, is not immediate cash income. To ensure the reserve is accurately funded as determined by the Board’s evaluation of the Reserve Study, required funding should be included in the operating budget and dues must be sufficient to cover it. One twelfth of the annual funding requirement should be transferred from the operating bank account to the reserve account each month.

The policy also contains procedures that no longer reflect what is currently in practice.

It is our recommendation that the Accounting Policy be rescinded, along with the rule enacted in 1997 referenced above, and that financial management guidelines compliant with the Davis Stirling Act be incorporated into the CTTA Directors’ Handbook. Please note, the rule enacted in 1997 should not be confused with Section 8.8 of our Bylaws, which restricts spending of more than \$5,000.00 in unbudgeted funds. Bylaw 8.8 refers to operating funds – not reserve funds.

Our reserves are identified on our books as “Fund Balance – Designated” and has a balance of \$433,597.46. There should always be an equivalent amount of cash in designated bank accounts separate from any operating accounts. Our bank accounts were not separated as they should have been, and we *have made/ will make* the transfer of funds necessary to correct this. We are now recommending that the operating account be reimbursed from the reserve account for items purchased this year that should have been or will be reserve account expenditures.

PROPOSED 2021 BALLOT MEASURES

The Board of Directors recommends a ‘YES’ vote on each of the following measures:

- 1) Rescind the CTTA Accounting Policy and incorporate financial management guidelines compliant with the Davis Stirling Act into the CTTA Directors’ Handbook. YES NO

- 2) Rescind the rule adopted in 1997 that prohibits spending more than \$5,000.00 from the reserves in one calendar year without approval of 51% of the membership. YES NO

- 3) Transfer \$73,956.49 from the reserve account to the operating account to reimburse or pay for the following items: YES NO

Amount	Description
\$2,811.00	Replace Furnace Mobile Home #1
\$4,275.00	Gate Battery Backup
\$12,470.00	New Gate
\$1,152.22	Sewer Plant Chemical Dispenser
\$2,427.00	Establish Hard-wired Office Network
\$3,074.11	New Bobcat Tracks
\$835.00	New Glass for Adult Center
\$912.16	Lorex Cameras
\$46,000.00	Paving Project
\$73,956.49	