

**MANAGEMENT REPORT
FOR**

***TOWN AND COUNTRY VILLAGE
HOMEOWNERS ASSOCIATION, INC.***

August 31, 2004



BONDI & Co. LLC

CERTIFIED PUBLIC ACCOUNTANTS
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Board of Directors
Town and Country Village Homeowners Association
Parker, Colorado

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Dear Members of the Board:

We have completed our audit of the August 31, 2004, financial statements of the Town and Country Village Homeowners Association (Association). In addition to the audit, we completed a limited review of your accounting policies and procedures and compiled the following report based on our review. This review was limited, therefore it was not designed to detect all control weaknesses or irregularities that may exist. As such, we do not express an opinion on your internal control structure. We would, however, like to take this opportunity to share our subjective observations of your financial performance.

In this report, we analyze your performance in two sections: ***Positive Observations*** and ***Suggestions for Further Enhancement***.



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POSITIVE OBSERVATIONS

The following section details our positive observations of improvement in your financial operations.

A. BANK RECONCILIATION REVIEW

As a result of a prior year management letter recommendation, your treasurer is now receiving the bank reconciliation on a monthly basis for review.

We commend you for requesting additional financial information with the board packets distributed at each board meeting so that you can take a prospective approach to dealing with any potential issues facing the firm.

B. RESERVE STUDY

You plan to contract with a firm to perform a reserve study. The reserve study will provide you with information about which items must be repaired, which items must be replaced, and the timeframe that each must occur. This will assist you in the budget process, as well as the long-range planning process.

We commend you for having a reserve study performed so that you may better prepare and budget for upcoming required capital expenditures. We recommend, however, that reserve studies are completed every other year in the future.

SUGGESTIONS FOR FURTHER ENHANCEMENT

In this section, we list our subjective recommendations for improving your internal control structure and financial performance for fiscal 2005.

I. ASSESSMENT ACCOUNT WRITE OFFS

The property manager has the ability to write off assessment accounts receivable. Currently, the Board is not provided a list detailing accounts receivable written off during the month.

We recommend that the property manager provide the Board a listing of all assessment accounts receivable written off during the month with their board packets.

II. RECEIPTS

Currently, you accept cash as payment for assessments. Due to the lack of segregation of duties surrounding acceptance of assessment payments and updating accounting records, internal controls could be strengthened if cash were not accepted as a form of payment.

In addition, you could save time and strengthen internal controls if you require all new Association members to pay assessments via ACH transfers.

We recommend that you only accept checks, money orders, or ACH transfers as payment of monthly assessments. In addition, we recommend that you require all new Association members to pay assessments via ACH transfers.

III. PROPERTY AND EQUIPMENT

As we noted in the previous management letter, you are not depreciating the pool or any of the common area structures. In addition, these assets are not being reported in your financial statements.

Further, we noted that you still do not have a fixed asset/depreciation schedule to track depreciation taken on your fixed assets.

We recommend that you begin depreciating the pool and the common area buildings and report these assets in the financial statements as soon as possible. Additionally, we recommend that you establish a fixed asset/depreciation schedule as soon as possible to track fixed asset additions and disposals and depreciation during the year.

IV. BAD DEBTS EXPENSE ESTIMATE

During the audit, we noted that you did not estimate a bad debt expense and allowance for doubtful accounts relating to the Assessment Receivables balances. Rather, the same amounts that were used last year were used again this year. You should prepare this estimate each year and review and update these on a monthly basis.

We recommend that you estimate bad debts expense and the resulting allowance for doubtful accounts at the end of the year. In addition, you should review and update these estimates on a periodic basis in order to provide a true picture of accounts receivable balances.

CONCLUDING REMARKS

We would like to thank you for continuing to request that **BONDI & Co. LLC** participate as part of the Town and Country Village Homeowners Association's financial team. We would especially like to thank Laura Williams for her assistance during the audit.

Should you have any questions about this report or the audit report, please contact Bert Bondi, Jim Rae, or Michael Marso. We can be reached by phone at 303-799-6826, or via email at bbondi@bondico.com.

January 14, 2005


BONDI & Co. LLC