

Campaign 2008- 7 Unanswered Questions for the MVF Board Candidates

For two (2) hours on Wednesday evening, January 23, 2008, nine (9) of the eleven (11) announced candidates for the 3 open positions to the Montgomery Village Foundation Board of Directors made their statements of candidacy and answered questions from the 20 or so Village residents and homeowners who braved the cold weather to attend the Candidates' Forum at the Whetstone Community Center.

The candidates' written statements as published in the January 18, 2008 edition of *The Village News* and the responses given by those candidates in attendance at the Forum were extremely informative. However, up to this point there are still a number of core issues facing the Foundation Board that haven't been adequately and completely addressed by each candidate.

1-Financial Reporting



The MVF monthly financial statements lack detail and only display total income and expenses. Missing are detailed comparative reports of expenses and income categories, individual line items or fund types.

There is no factual basis for the MVF narrative analysis and conclusions that are printed in *The Village News* and accompany the financial statements provided MVF board members in advance of monthly MVF board meetings.

This results in a distorted and misleading presentation of revenue, expenses, assets, liabilities and equity accounts.

Limited selected financial information is only communicated to create an illusion of favorable financial conditions and excellent staff performance as well as to justify past and current board decisions and actions

Question 1: Do you believe there is transparency in the MVF financial reporting? Do the monthly financial reports reflect the true financial condition of the Foundation? What is your assessment of the financial health of the Foundation? If you are elected to the Board, what would you change and what would you maintain about the Foundation's finances and financial reporting?

2-The Audit

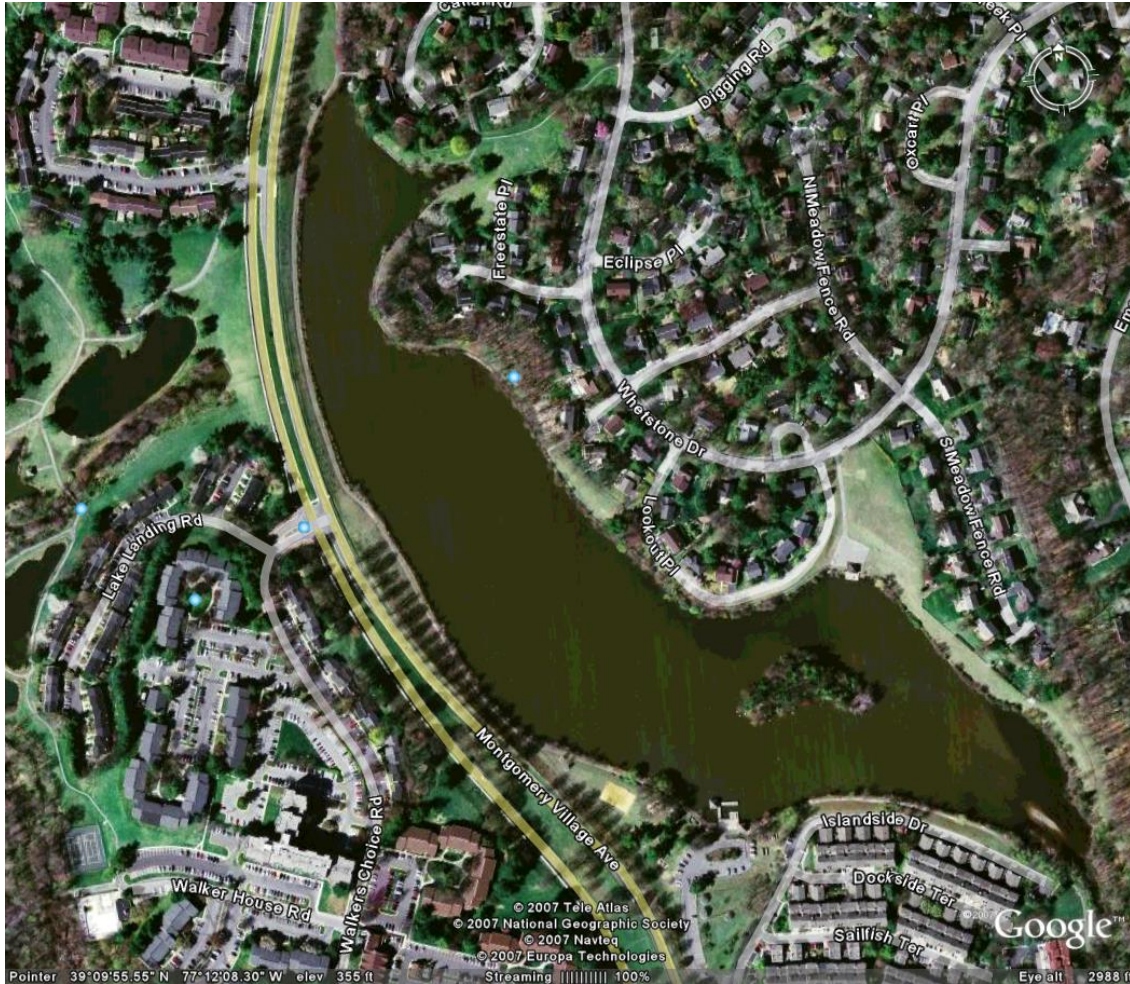


From 1999 to 2005, there were over 30 acts of theft and embezzlement of funds entrusted to the Foundation. There were nine (9) annual fiscal year audits (1999 to 2007) and several special examinations of the records incidental to the embezzlement conducted by the auditing firm of Regardie, Brooks & Lewis costing \$385,000 including \$65,300 paid in 2007. RB&L was only able to uncover one (1) of these acts.

The Village News has continually quoted the annual fiscal year audit report as evidence of the Foundation's alleged favorable financial condition and as validation of its corrupted accounting and financial reporting practices.

Question 2: Do you believe the money paid RB&L was well spent? Are they best qualified firm to perform the 2007 fiscal year audit? If the MVF Board was to vote on a motion to hire a qualified auditing firm other than Regardie, Brooks and Lewis to conduct the 2007 fiscal year audit, would you support such a motion? If not, why not?

3-Lake Whetstone



For decades there has been general deterioration of the Village's parks, streams, and lakes. Lake Whetstone Park and surrounding parkland, turf, ground cover, landscaping and shore line maintained by the Foundation has fallen into disrepair causing a migration of eroded materials into the lake and connected streams, lakes and ponds.

The duty to maintain and fund the lake and surrounding property elements including shore line maintenance and restoration is divided between the Foundation and Whetstone Homes Corporation. The maintenance of the lake (shoreline to shoreline) will be maintained and funded by the Montgomery County's storm water management program.

According to published reports in *The Gazette*, "The Foundation received a \$25,000 state grant to refurbish the boathouse and south dock at Lake Whetstone. They money was for early steps only and to study the scope of what is possible and how much it would cost".

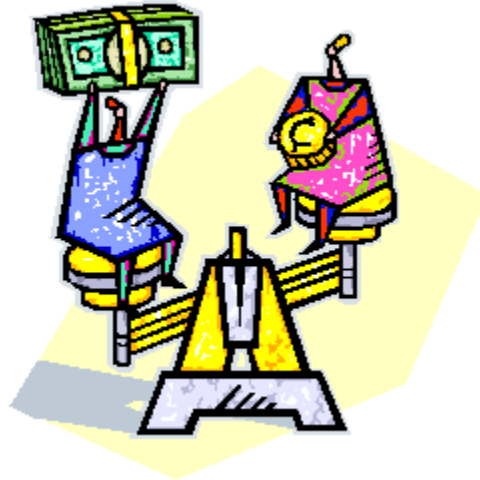
The Reserve Analysis report of July 7, 2007 by Advanced Reserve Solutions identified 4 critical Lake Whetstone capital items:

#	Description	Remaining Life	Current Cost
1	Check dams	0	\$24,280
2	Dock Restoration	0	\$268,050
3	Lake Dredging	3	\$134,730
4	Lake Bank Stabilization	0	\$29,000
Total			\$457,010

Question 3: What is your assessment of the condition of the park, lake and stream property elements encompassed by Lake Whetstone? What remedies if any do you support? Do you support or oppose the restoration of the dock? Should the Foundation request an additional state grant to pay for the restoration? If not, should the \$25,000 be returned to the state?



4-The 2008 Budget



North Village Homes Corporation stated in its *North Village View* column in the November 2, 2007 edition of *The Village News*. “The 2008 budget information provided was very limited, whereby no expenditures data was provided for fiscal years 2006 and 2007 in order to generate a more accurate comparison with the requested fiscal year 2008 budget increase. In addition, there was no breakdown of capital projects provided, including no strategic plan for future year guidance on capital projects. “

The lead front page story in the November 2, 2007 edition of *The Village News* headlined “**Reps Vote on \$3.14 Assessment Ceiling Increase to Cover 2008**” announced “Newly appointed EVP Dave Humpton is pleased that the representatives voted to cover the 2008 budget with the assessment ceiling increase.

“He and the MVF Board will focus on the 2009 budget in December and January to map out the potential budget increases and define the assessment ceiling needs for the next 5 years. Then, from January to March, residents will receive more information about the need to raise the assessment ceiling further, with a vote on another increase tentatively scheduled for the end of March.

“The Foundation must have the ceiling increase decided before 2009 guidelines are set in May. Two information sessions will take place for residents before the next assessment ceiling vote.”

Question 4: Do you believe the 2008 budget was adequately and properly prepared or should it be re-examined and restructured to include a strategic plan for future guidance on capital projects? Or do you believe we should focus on the 2009 budget to map out the potential budget increases and define the assessment ceiling for the next 5 years?

5-Community Management Fund and Maintenance Activity Fund Deficits



Fixed Price Contract Income for both management and maintenance has been in decline for the last decade. The Foundation has not been able to compete on price and service which has created accumulated deficits in the Community Management and Maintenance Activity Funds.

There has been a history of losses and deficits over the years in the Community Management (CMF) and the Maintenance Activity (MAF) funds. These deficits were funded using money designated for capital reserves while neglecting maintenance and landscaping services to the public areas.

Question 5: What is your plan for ensuring the Community Management and Maintenance Activity funds do not generate deficits in 2008? What is your proposal to make up for the accumulated deficits in these funds? What fundamental changes should be made to the Community Management and Public Works and Landscaping departments so they can cost-effectively compete on price and service in the market place? Considering its high cost and the growing deficits in the Maintenance Activity fund, do you favor eliminating the landscaping and grounds service fixed price contracts as a service?

6-Capital Reserve Funding



The Foundation's initial reserve funding policy mandates that the annual contribution to the reserve fund be from two sources: One, "Reserve Contributions from Assessments" (equal to the annual depreciation cost) and two, "Reserve Interest" (Interest on reserve investments) However, through a series of policy decisions and accounting - financial reporting practices, recommended by the Audit Committee, understood by members of the Board and validated by the auditors, only a small fraction of assessment and interest income budget for capital reserves has been credited as income to the Reserve Fund.

Assessments and interest income designated for capital reserve have funded deficits in other fund types.

Question 6: Do you approve of the present Foundation policies and accounting-bookkeeping –audit practices that divert assessment income designated for reserve funds to hidden Fixed Assets accounts? In your opinion what are the critical capital infrastructure needs of the Foundation and what would be your plan to address these needs?

7-The Village News



The Village News is not trusted by many as a source of accurate, fair, useful and critical information about the Village including the Foundation, the various community groups, Homes Corporations, Condominiums, rental and business communities.

There is a feeling that *The Village News's* editorial, reporting and communication policies are geared to self promotion over effective communication. Its news and features, more than likely, attempt to create an illusion of favorable property conditions, superior service performance by the Foundation's staff and contractors or to justify past and current board decisions and actions.

Standard features and summary information of Homes Corporations such as annual meeting and approved annual budgets only report on or include Homes Corporations which are managed by the Foundation.

Major Village-wide news events and happenings, especially bad news, are reported first and much more accurately by *The Gazette*.

The Village News's advertising revenue is declining and does not cover printing, staff and overhead costs.

Question 7: What is your opinion of *The Village News*? What editorial, reporting and communication policies and practices, if any, would you change if you are elected to the Board? Would you be in favor of converting to an improved *Village News* version published monthly plus occasional special editions such as an election or summer activity edition?

The Observer invites each candidate to log onto <http://www.s24c.com/answers.htm> and give your answers to the following 7 unanswered questions.