



## **The Village News Has Arrived. It's not good news!**

Lois Campbell in the Village News "Money Matters" feature (October 12<sup>th</sup> edition) reports in her signature euphemistic "Lois speak" the latest MVF financial good news. Rivaling Alan Greenspan's secret language of opaque and convoluted dialect Lois writes that "Through eight months, the performance is essentially on track; ...Expenses are over budget by \$247,000...however, the expenses profile for the remaining months of the year has some uncertainties".

Follow is the Observer's restatement of MVF financial statements through August 31, 2007. Although both reports used the exact same income-expense general ledger accounts and cumulative line item amounts, the Observer's rendition leads to a much different conclusion about the state of MVF's financial health. The following are the differences in the 2 versions.

**Overhead Expense Allocation** The overhead expenses allocated the various accounting funds equals between 20 to 23 % of the total expenses. For this year the budgeted allocation cost is \$1,508,605 and \$1,804,561 proposed for 2008. These overhead costs are not allocated prior to the preparation of the monthly financial statements.

Consequently, the MVF financial statements do not include detailed comparative reports of expenses and income categories, individual line items or fund types. The Observer has made the cost allocation and has reported by operational groups within each fund type.

**Unrecognized Income** "Assessment Collection Fees" and "Fixed Price & ala Carte for Administrative Facility" are income accounts which are offsetting income and expenses transactions not recognized as revenue in the annual audits.

When these budget transactions are included as income in any budget draft or financial statements, the total income is inflated and misrepresented. The Observer has excluded "Assessment Collection Fees" and "Fixed Price & ala Carte for Administrative Facility" from its version explaining the \$498,787 variation in income between the 2 versions.

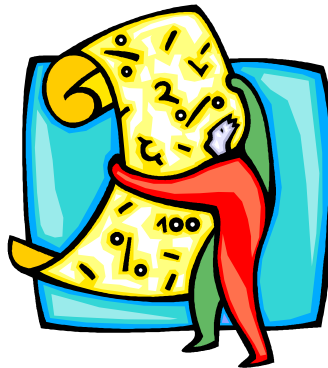
**Summary Reporting** The “Income/Expense Summary” and “Balance Sheet as of August 31 2007” as reported on page 12 of the current Village News only displays total income (\$5,345,936) and expenses (\$5,300,098).

The Observer’s Income - Expenses comparison report presents a detailed comparative of expenses and income categories and fund types and comparison of the MVF balance sheet information with the December 31, 2006 audit balance sheet.

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

The “Money Matters” columns only publish a total summary “Income/ Expense” and “Balance Sheet” and does not include a detail of sub categories, fund types and income-expenses categories for the periods being compared and analyzed. However, the oral and published narrative and explanations refers to and compares unrevealed financial data.

Consequently, you either accept the staff’s analysis and conclusions on blind faith or assume what is being presented is fiction, fantasy or fraud.



### **Income and Expenses**

Expenses exceed revenue by \$495,271. The Community Management (CMF) (\$74,117) and Maintenance Activity Fund (MAF) (\$306,377) deficits account for 76.8% of the operating deficit through August 2007. The 2007 year end projections indicate a possible MVF 2007 fiscal year deficit of \$1,224,637, CMF a \$76,306 deficit and the MAF a \$1, 3281,175 deficit.

### **Revenue**

Projected income for 2007 fiscal year is \$960,222 lower than the approved 2007 budget. “Assessment Collection Fees” (\$132,000), “Disclosure Income” (\$64,500), “Class and Courses” (\$25,200) and “Fixed Maintenance MVF Maintenance Contract Income” (\$724,500) account for this revenue variance.

## Expenses

Projected expenses for 2007 fiscal year are \$239,418 higher than the approved 2007 budget. Payroll expenses (\$246,622), Utilities (\$39,974), and "Audit" (\$35,268) account for this expense variance.

There are many confusing aspects of the MVF financial budgeting, accounting and reporting system. The most confusing and difficult to explain or understand is the treatment of direct expenses incidental maintenance, landscaping and snow removal services on common property provided by the Maintenance Facility and Public Works department.

The individual line item direct expenses budget amounts for current, year to date and 2007 budget displayed for directed expenses are substantially different than the approved budget. Each month \$50,572 is charged as a direct expense to account 5590 Fixed Price Maintenance. Under this different schedule of budget expenses the annual budgeted amount for account 5590 is \$606,861.

Consequently, when the current through August expenses are projected through the end of the year "Grounds, Landscaping, Lakes and Streams" is under budget by \$427,755 while "Maintenance, Repairs and Supplies" will be over budget by \$603,218.

## Balance Sheet

The balance sheet does not show an amount in a number of account classifications. Balance sheet accounts such as "Accounts Receivable" and "Accounts Payable" are normally updated to the last day of the reporting period as part of a standard accounting "close out" performed to the books and records prior to producing the financial reports. This raises questions to the accuracy of the published financial reports.

The balance sheet shows a reduction of "Cash & Equivalents" of \$339,433, \$471,717 in "Total Assets", \$501,913 in "Current Liabilities and \$232,665 in "Reserve Funds from the 2006 Audit balance sheet reports as of December 31, 2006.



# MVF August 2007 Financial Repts

Description	2007 B	Year to Date 2007	2007 Proj	\$ Projected Annual Variance \$	% Projected Annual Variance %
<b>Income and Expense Summary</b>					
<b>Revenue</b>					
Total Assessments	\$4,075,755	\$2,722,070	\$4,083,105	\$7,350	0.2%
Maintenance Activity Fund	\$1,386,648	\$658,523	\$749,363	-\$637,285	-46.0%
Community Management Fund	\$648,926	\$411,012	\$616,505	-\$32,421	-5.0%
Total Interest Income	\$12,628	\$36,370	\$54,555	\$41,927	332.0%
Total Class & recreation programs	\$509,200	\$427,127	\$407,466	-\$101,735	-20.0%
Advertising Income Village News	\$210,000	\$131,970	\$197,955	-\$12,045	-5.7%
Total Other income	\$696,480	\$417,756	\$470,467	-\$226,013	-32.5%
<b>Total Revenues</b>	<b>\$7,539,637</b>	<b>\$4,804,828</b>	<b>\$6,579,416</b>	<b>-\$960,222</b>	<b>-12.7%</b>
<b>Expenses by Cost Category</b>					
Payroll Costs	\$4,826,058	\$3,427,016	\$5,072,680	\$246,622	5.1%
Utility	\$282,404	\$220,132	\$322,368	\$39,964	14.2%
Office & Administrative	\$559,266	\$370,156	\$547,579	-\$11,688	-2.1%
Maintenance, Repair & Supplies	\$580,196	\$791,947	\$1,183,414	\$603,218	104.0%
Trash Removal	\$120,230	\$36,870	\$55,305	-\$64,925	-54.0%
Grounds, Landscaping, Lakes & Streams	\$480,594	\$51,610	\$52,840	-\$427,755	-89.0%
Security Services	\$113,112	\$78,225	\$117,338	\$4,226	3.7%
Insurance	\$190,545	\$114,325	\$171,488	-\$19,058	-10.0%
Legal	\$68,000	\$45,689	\$68,534	\$534	0.8%
Professional Services	\$23,000	\$18,253	\$27,380	\$4,380	19.0%
Auditing & Accounting	\$32,232	\$65,306	\$67,500	\$35,268	109.4%
Contributions to Reserve	\$289,000	\$80,570	\$117,632	-\$171,368	-59.3%
<b>Total Expenses</b>	<b>\$7,564,637</b>	<b>\$5,300,099</b>	<b>\$7,804,055</b>	<b>\$239,418</b>	<b>3.2%</b>

## MVF August 2007 Financial Repts

Summary by Fiscal Year of Operating Income & Expenses by Property Fund					
Income					
MVF Fund	\$2,747,989	\$1,812,299	\$2,675,854	-\$72,135	-2.6%
Designated Users Facilities Fund	\$2,046,578	\$1,340,786	\$2,006,219	-\$40,359	-2.0%
Poplar Spring Fund	\$1,881	\$1,256	\$1,882	\$1	0.0%
User Fee Programs Fund	\$432,200	\$366,573	\$391,417	-\$40,783	-9.4%
Community Management Fund	\$949,341	\$625,391	\$854,464	-\$94,877	-10.0%
Maintenance Activity Fund	\$1,386,648	\$658,523	\$749,363	-\$637,285	-46.0%
<b>Total Income</b>	<b>\$7,564,637</b>	<b>\$4,804,828</b>	<b>\$6,579,416</b>	<b>-\$960,222</b>	<b>-12.7%</b>
Expenses					
MVF Fund	\$2,694,949	\$1,919,920	\$3,103,388	\$408,439	15.2%
Designated Users Facilities Fund	\$1,931,121	\$1,403,611	\$1,462,392	-\$468,729	-24.3%
Poplar Spring Fund	\$1,862	\$512	\$768	-\$1,094	-58.7%
User Fee Programs Fund	\$496,485	\$364,638	\$428,811	-\$67,674	-13.6%
Community Management Fund	\$1,006,918	\$699,508	\$778,158	-\$228,760	-22.7%
Maintenance Activity Fund	\$1,433,302	\$964,900	\$2,030,538	\$597,236	41.7%
Reserve Fund	\$289,000	\$80,570	\$0	-\$289,000	-100.0%
<b>Total Expenses</b>	<b>\$7,564,637</b>	<b>\$5,300,099</b>	<b>\$7,804,055</b>	<b>\$239,418</b>	<b>3.2%</b>
(Deficit) / Surplus					
MVF S/(D)	\$53,040	-\$107,621	-\$427,534	-\$480,574	-906.1%
DUF S/(D)	\$115,457	-\$62,825	\$543,827	\$428,370	371.0%
PS S/(D)	\$19	\$744	\$1,113	\$1,094	5760.1%
UFP S/(D)	-\$64,285	\$1,935	-\$37,394	\$26,891	-41.8%
CM S/(D)	-\$57,577	-\$74,117	\$76,306	\$133,883	-232.5%
MA S/(D)	-\$46,654	-\$306,377	-\$1,281,175	-\$1,234,521	2646.1%
<b>Summary (Deficit) / Surplus</b>	<b>\$0</b>	<b>-\$495,271</b>	<b>-\$1,224,639</b>	<b>-\$1,199,639</b>	

## MVF August 2007 Financial Repts

	Balance Sheet			
	2006 A	Year to Date 2007	\$ Change 12 31-06 to 8- 31-07	% Change 12-31-06 to 8-31-07
<b>Cash &amp; equivalents</b>				
Checking accounts	\$250,901	\$501,530	\$250,629	99.9%
Money market & savings account	\$90,352	\$0	-\$90,352	-100.0%
<b>Total</b>	<b>\$341,253</b>	<b>\$501,530</b>	<b>\$160,277</b>	<b>47.0%</b>
<b>Investments</b>				
Certificates of Deposits	\$804,473	\$0	-\$804,473	-100.0%
Debt instruments	\$3,094,525	\$3,588,278	\$493,753	16.0%
Other investments	\$28,714	\$0	-\$28,714	-100.0%
<b>Total</b>	<b>\$3,927,712</b>	<b>\$3,588,278</b>	<b>-\$339,434</b>	<b>-8.6%</b>
<b>Accounts receivable</b>				
Acc Rec Due from Operating Funds	\$433,670	\$0	-\$433,670	-100.0%
Assessments	\$129,950	\$252,353	\$122,403	94.2%
Maintenance charges	\$133,768	\$0	-\$133,768	-100.0%
Advertising	\$7,564	\$0	-\$7,564	-100.0%
Accrued interest	\$10,648	\$0	-\$10,648	-100.0%
Other	\$74,598	\$0	-\$74,598	-100.0%
<b>Total</b>	<b>\$790,198</b>	<b>\$252,353</b>	<b>-\$537,845</b>	<b>-68.1%</b>
Prepaid expenses	\$74,715	\$0	-\$74,715	-100.0%
<b>Total Current Assets</b>	<b>\$5,133,878</b>	<b>\$4,342,161</b>	<b>-\$791,717</b>	<b>-15.4%</b>
Property and equipment	\$8,373,080	\$8,373,080	\$0	0.0%
Less Accumulated depreciation	-\$4,762,527	-\$4,762,527	\$0	0.0%
<b>Cost less accumulated depreciation</b>	<b>\$3,610,553</b>	<b>\$3,610,553</b>	<b>\$0</b>	<b>0.0%</b>
<b>Total Assets</b>	<b>\$8,744,431</b>	<b>\$7,952,714</b>	<b>-\$791,717</b>	<b>-9.1%</b>

## MVF August 2007 Financial Repts

<b>Liabilities</b>					
<b>Accounts payable and accrued expenses</b>					
Due to Reserve Funds	\$433,670	\$0		-\$433,670	-100.0%
Accounts payable	\$83,044	\$154,064		\$71,020	85.5%
Accrued salaries & vacation	\$81,452	\$74,614		-\$6,838	-8.4%
Accrued employee benefits	\$4,470	\$0		-\$4,470	-100.0%
Due to homes corporations	\$121,501	\$0		-\$121,501	-100.0%
<b>Total Accounts payable and accrued expenses</b>	<b>\$724,137</b>	<b>\$228,678</b>		<b>-\$495,459</b>	<b>-68.4%</b>
<b>Deferred revenues</b>					
Advances for classes	\$14,874	\$0		-\$14,874	-100.0%
Assessments	\$262,716	\$296,785		\$34,069	13.0%
Inspection fees	\$25,649	\$0		-\$25,649	-100.0%
<b>Total Deferred revenues</b>	<b>\$303,239</b>	<b>\$296,785</b>		<b>-\$6,454</b>	<b>-2.1%</b>
<b>Total Current Liabilities</b>	<b>\$1,027,376</b>	<b>\$525,463</b>		<b>-\$501,913</b>	<b>-48.9%</b>
<b>End of Fiscal Year Fund Balances</b>					
Operations	-\$322,139	-\$276,301		\$45,838	-14.2%
MVF Fund	\$123,189	\$0		-\$123,189	-100.0%
DUF Fund	\$465,618	\$0		-\$465,618	-100.0%
PS Fund	\$242	\$0		-\$242	-100.0%
CM Fund	-\$301,266	\$0		\$301,266	-100.0%
MA Fund	-\$609,922	\$0		\$609,922	-100.0%
Fixed Assets	\$3,610,553	\$3,610,551		-\$2	0.0%
Reserve Funds	\$4,428,641	\$4,195,976		-\$232,665	-5.3%
<b>Total Liabilities and fund balances</b>	<b>\$8,744,431</b>	<b>\$8,055,689</b>		<b>-\$688,742</b>	<b>-7.9%</b>

## MVF Direct Expenses Analysis

G/L #	Description	Differences	2007 Budget July 2007 Financial Statements Budget Comparison	2007 Budget Published 9-15 2006	2007 Projected Actual	2007 Year to Date
	<b>Direct Expenses</b>					
5110	Wages & Salaries	\$80,461	\$3,092,092	\$3,011,631	\$3,135,779	\$2,090,519
5111	Temporary Employees	-\$16,828	\$730,799	\$747,627	\$850,261	\$606,654
5114	Regular Part Time	-\$15,698	\$75,008	\$90,706	\$71,403	\$47,602
5115	Recording Secretaries	\$8,500	\$27,000	\$18,500	\$16,433	\$10,955
5117	Payroll Taxes TCGC	-\$7,285	\$0	\$7,285	\$0	\$0
5118	Taxes Payroll	\$13,942	\$349,868	\$335,926	\$364,301	\$247,681
5119	Employee Benefits	\$8,338	\$433,614	\$425,276	\$474,560	\$316,373
5120	Workers Compensation	\$2,662	\$75,444	\$72,782	\$76,875	\$51,250
	<b>Total Personnel Costs</b>	\$74,092	\$4,812,696	\$4,738,604	\$5,013,327	\$3,387,447
5121	Payroll Processing Costs	-\$5,500	\$24,000	\$29,500	\$27,599	\$18,399
5142	Board Expenses	-\$2,450	\$9,020	\$11,470	\$4,872	\$3,248
5414	Toner Cartridges	-\$500	\$11,289	\$11,789	\$13,445	\$8,963
5415	Duplicating Applied	-\$500	\$22,989	\$23,489	\$0	\$0
5416	Disclosure Duplicating	-\$1,000	\$4,000	\$5,000	\$926	\$617
5528	Professional Services	\$7,200	\$30,200	\$23,000	\$27,380	\$18,253
5531	Insurance General Liability	-\$2,317	\$93,948	\$96,265	\$88,929	\$59,286
5533	Insurance Umbrella	-\$744	\$30,432	\$31,176	\$31,041	\$20,694
5570	Mowing & Edging	-\$284,799	\$1,075	\$285,874	\$1,076	\$717
5571	Grass Fertilizer	-\$12,270	\$0	\$12,270	\$0	\$0
5572	Greenspace Repair	-\$9,850	\$0	\$9,850	\$2,988	\$1,992
5573	Weed Control	-\$13,875	\$0	\$13,875	\$38	\$25
5574	Tree Shrub Maintenance	-\$69,390	\$28,610	\$98,000	\$26,000	\$15,240
5575	Tree Shrub Removal Replacement	-\$24,725	\$12,000	\$36,725	\$15,492	\$10,328
5576	Sign Repair and Replacement	-\$3,270	\$2,000	\$5,270	\$3,881	\$2,587
5577	Park Furniture Repair & Replacement	-\$5,325	\$2,000	\$7,325	\$9,714	\$6,476
5578	Asphalt Concrete Repair	-\$1,957	\$7,743	\$9,700	\$14,571	\$9,714
5579	Lights Repair and Replacement	-\$5,197	\$3,653	\$8,850	\$2,096	\$1,397
5580	Snow Removal	-\$6,700	\$7,000	\$13,700	\$9,013	\$9,013
5582	Tot Lot Repairs	-\$11,913	\$6,187	\$18,100	\$1,896	\$1,264
5584	Lakes Ponds Maintenance	-\$10,824	\$13,176	\$24,000	\$7,247	\$4,831
5585	Trash Pick Up	-\$37,200	\$25,125	\$62,325	\$2,174	\$1,449
5590	Fixed Price - Maintenance	\$606,861	\$606,861	\$0	\$606,861	\$404,574
5593	Leaf Pick Up	-\$6,500	\$0	\$6,500	\$854	\$569
	<b>Total Operating Expenses</b>	\$97,276	\$2,634,309	\$2,537,033	\$2,673,096	\$1,832,082
	<b>Total Operating Funds Expenses</b>	\$171,368	\$7,447,005	\$7,275,637	\$7,686,424	\$5,219,529
	<b>Reserves Contribution</b>	-\$289,000	\$0	\$289,000	\$117,632	\$80,570
	<b>Expenses by Cost Category</b>					
	Payroll Costs	\$68,592	\$4,894,650	\$4,826,058	\$5,072,680	\$3,427,016
	Office & Administrative	-\$4,432	\$554,834	\$559,266	\$547,579	\$370,156
	Maintenance, Repair & Supplies	\$566,002	\$1,146,198	\$580,196	\$1,183,414	\$791,947
	Trash Removal	-\$37,200	\$83,030	\$120,230	\$55,305	\$36,870
	Grounds, Landscaping, Lakes & Streams	-\$425,733	\$54,861	\$480,594	\$52,840	\$51,610
	Insurance	-\$3,061	\$187,484	\$190,545	\$171,488	\$114,325
	Professional Services	\$7,200	\$30,200	\$23,000	\$27,380	\$18,253
	<b>Total Expenses</b>	\$171,368	\$7,447,005	\$7,564,637	\$7,804,055	\$5,300,099