

CLIENT INSIDER

February/March 2011

TMG The Management Group
PROPERTY MANAGEMENT SALES | LEASING

Accounting News



Kirsten Osborne-Castre, Controller

The start of a new year often brings new volunteers into the role of treasurer. The treasurer often oversees a number of functions vital to the association's financial well-being. One of the most important functions is reviewing the monthly financial reports prepared and distributed by TMG on behalf of the association. Here are a few tips and guidance for understanding the HOA financial reports.



Financial Reports Have Two Primary Purposes:

- To provide internal and external users with the economic information needed to make appropriate decisions on behalf of the community association.
- To enable the community association board and community manager to control the community's financial operations.

Financial Reports Reflect The Accrual Basis Accounting Method In Compliance With Generally Accepted Accounting Principles (GAAP):

The American Institute of Certified Public Accountants (AICPA) requires the use of accrual accounting and fund reporting for community associations as the most informative methods for financial record keeping and reporting. This involves recording:

- Income when it is earned or "assessed" to owners
- Expenses when they are incurred

Financial Reports Reflects the Use of Fund Reporting:

Fund Reporting is a form of financial reporting that separates the major areas of an organization's financial activities. The AICPA recommends the use of fund reporting for community associations; especially for year-end financial reports.

The Operating Fund represents the

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Association News



Michelle Underwood, AVP Association

As we start the new year, the Association team is hard at work on year end financial statements, reviewing reserve studies and creating and implementing annual maintenance plans for our communities. Landscape walks to determine landscape maintenance and improvement needs for spring are also underway. We believe that the best way to manage, is to get out from behind our desks, and into the communities we manage.

We welcome input from our homeowners and look forward to seeing them during site visits. If you see your manager out and about, please take a moment to say hello!



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Sales Division News



Southwest Washington Market Trends

The average sales price for December 2010 fell 8.5% compared to December 2009, while the median sales price fell 5.5% in that same time period. In a comparison of November 2010 to December 2010 the average sales price decreased by 2.3% (\$228,900 to \$223,600) and the median sale price went down by 0.1% (\$200,000 to \$199,900). The current inventory of residential listings would last approximately 9.1 months. This is up from a 7.6 months' supply last year at this time. The available pool of properties is growing so let us try to find you a good solid investment rental property or your own personal home. With the increasing inventory, now is the time to take advantage of the affordable prices before they change. Please call Jim Parker @ 360-281-4672 or Suzanne Dickson @ 397-0284 so we can help you find the right investment property to add to your current portfolio.

Here are a few available TMG, Inc. properties that are currently available for purchase.

1205 NE 104th Avenue Vancouver, Home on 1 Acre and/or investment property. Sub dividable into 7 homes or 9-11 Town homes (with infill ordinance, verify with city) All Utilities on property Line. Home (as is but in decent shape): 3 BD, Open Layout, Wrap Around Deck, Covered Patio. Exterior Buildings include a Shop (insulated, 220V, 20X50 approx.), a Carport(RV, 15X22 approx.), and a Double Extended Garage. Listing# 10012148 Please call Suzanne for a showing! **Reduced to \$229,000**

610 NW 13th Street- Battle Ground, 4 Bd, 2.5 Bath, 2 Story, 2114 SF, Built in 1996, Gas Heat, Large Lot, Extra Large Bedrooms, Listing # 10071667, Current Tenant paying \$1220 per month rent, Listed for \$214,900, **Reduced to \$209,900**

10800 SE 17th Circle Unit# 214 Vancouver, 2 BD, 2 Baths, Imagine yourself enjoying the lights of Portland in a newer & spacious condo. One bedroom on the main floor, one upstairs, great for privacy! Many upgrades such as pergo flooring in kitchen, granite counter tops, neutral Berber carpet, marble bath floors, marble surround fireplace with mantle, hearth with a blower. Large covered deck off dining area. Kitchen upgraded cabinets. Bedrooms are good sized with each boasting a private bath. Washer and Dryer included. Landscaping provided. You'll enjoy clubhouse, exercise room, Jacuzzi, playground and swimming pool. HOA Dues \$175 per month. Currently tenant occupied at **\$995** per month on a month to month lease. Please call Jim for a showing! Listing # 10086027 **Offered at \$179,900**

Single Family Market Update



Suzanne Dickson,
Single Family
Department Manager

The Single Family Department launched our new software on January 3rd. There were only minor adjustments that had to be made; the team that prepared us for this transition did an excellent job in making the transition seamless for owners and tenants. We hope you enjoy the new system and benefits to you, as an owner. Our new website works in conjunction with our software and enables us to market the homes with multiple photos of each property. We have

already seen an increase in calls from people visiting the site. Owners will also be able to view financial statements for months that are complete. Please remember, until the accounting month is complete the financials for that month are not available. For example: February's financials will be available around the 1st of March. If you need information regarding your current month financials you may contact your Property Manager or Ellen Nelson, Financial Representative, (360) 397-0302 or ellen.nelson@TMGnorthwest.com.

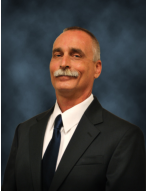
The current market is in line with annual trends and we are coming out of the season of least activity. Our left to lease rate is currently 4%. Remember that this includes homes on the market, including those not yet vacant. This is excellent given the time of year and indicates successful marketing in conjunction with managing lease expirations in line with seasonal demand.

Our winterizing program will continue through the beginning of February. If you plan to do any capital projects on your investment property, now is the time to consider getting bids for those projects such as exterior paint, trim paint, deck repairs or replacements and roof replacements. Please contact your Property Manager if you would like to request bids for an upcoming project.

We offer our services throughout Clark County and the Portland Metro area. If you know someone we can assist in the management of their investment property, please contact me directly at (360)397-0284 or (503)858-1090.



Maintenance Update



Victor Kuring,
Capital Projects
Manager

Many of you who take the time to read my contributions to this newsletter realize I am an advocate of preventative maintenance and the detailed planning of capital project scopes, bid packages, budgets and schedules. I firmly believe these items are the crux for receiving the maximum useful life of building components, to receive the best value when it does come time for component replacement with the minimum of inconvenience. A well thought out and executed preventative maintenance program, remodeling or capital project will pay for itself many times over and in many different ways.

Besides the management of capital projects, finding practical solutions to difficult maintenance/repair issues, creating reserve studies, observation reports and maintenance plans I also have the privilege of providing oversight and direction for TMG Maintenance Services NW, LLC.

TMG Maintenance Services, although affiliated with The Management Group, is a separate business entity dedicated to providing quality maintenance, repair and remodeling services to a variety of clients, internal and external. As a registered general contractor in Oregon and Washington TMG Maintenance Services can perform a variety of maintenance activities, remodeling and repair to most everything facility related. Our knowledgeable and uniformed field technicians arrive ready to work in marked company vans, which are stocked with a myriad of supplies routine to general facility maintenance.

As a general contractor, TMG Maintenance Services has built very strong relationships with a host of specialty contractors, who align with our commitment towards service with quality coupled with the willingness to firmly stand behind their services. This al-

lows us to provide sub-contracted services for our clients at a very competitive rate while soundly standing behind our end product.

If you are implementing or continuing a preventative maintenance program, planning capital project work, have a recurring hard to solve or needs immediate attention maintenance issue, consider contacting us. We are always here to help.

Accounting News Cont'd

funds used for the daily operations of the association.

The Replacement Fund represents the funds used for major repairs and replacements for the association.

Financial Reports Include:

1. Financial Summary Page: Lists all reports included in the financial packet
2. Balance Sheet: Statement of financial position or condition; Reports on community associations Assets, Liabilities and Net Equity at a given point in time. The Three Major Components of the Balance Sheet Are:

Assets: What the community association owns of monetary value. Assets typically include bank accounts and petty cash, investments, assessments owed to the association, utility deposits, prepaid expenses, and sometimes real or personal property.

Liabilities: What the Community association owes or has collected in advance. Liabilities typically include invoices not yet paid, assessments fees received before their due date and long term debt.

Capital: The difference between the assets and the li-

abilities. Capital is what is owned by the unit owners. Also known as equity

3. Operating Statement of Revenue and Expense: Also referred to as a Profit & Loss statement (or a P&L); the operating statement reports on an Association's results of operations over a set period of time. The three major components are Income, Expense, & Net Income (Loss)
4. Replacement Fund - Statement of Revenue and Expense: Similar to Operating Statement, but highlighting the activity in the Replacement Fund over a set period of time. Note: Fund Reporting consists of preparing separate financial reporting for operating, reserves & special funds.
5. Schedule of Changes in Replacement Fund Balances: Summary of the monthly changes in the Replacement Fund.
6. Delinquent & Prepaid Report: Summary of the collection activity of individual homeowners within the community association.
7. Investment Report: Summary of investment activity for each community association, including balances, maturity dates and rates of CD's.
8. Open A/P Report Listing: Summary of A/P invoices that have been expensed in the period, but have not been paid.
9. General Ledger: The Balance Sheet and the Operating Statement of Revenue & Expense are both derived from the General Ledger. The General Ledger is where the posting to the accounts occurs. The General Ledger includes the date, description and balance or total amount for each account.

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Prior To Distribution, The HOA Financial Reports Are Reviewed.

Financial Reports Are Distributed:

- Between the 1st and the 10th the assigned Staff Accountant prepares the preliminary financial reports.
- Controller reviews the financials and submits to the Managing Agent by the 10th of the month unless additional corrections need to be made.
- Managing Agent reviews and submits the financial packet to their board members no later than the 20th of the month.
- The financial packet is mailed or e-mailed according to the board member's requests.
- For those communities with website access to Association Voice, a copy of the Balance Sheet and the Operating Statement of Revenue & Expense is placed on the Association Voice website for property owner access. In addition, a complete financial report packet is placed on Association Voice for board member access. Typically, the financials on Association Voice are accessible or

available for review by the 20th of the month.

Financial Warning Signs to Watch For When Reviewing the Financial Reports:

- Steady decline in cash. It is recommended that an associations operating fund balance should be 10 to 20% of Annual Assessments.
- Inability or failure to set aside planned additions to reserves; No formal reserve study.
- An increase in the amount of owner's assessments owed; Delinquencies in excess of 10% of total annual assessments is a red flag and indicates a deteriorating financial position. (Note: 3% or less indicates a strong financial position)
- An increase in the amount the Association owes for bills.
- Failure to resolve differences between bank statements and financial reports in a timely manner.
- Significant or unexplained differences between actual & budgeted figures.
- Retained earnings balance is less than one to three months of operating expenses

Opportunity is Knocking



Job Postings as of January 27, 2011

The following is a listing of the current positions available with The Management Group, Inc.

- HOA Community Manager**
- HOA Administrative Assistant**
- Janitor/Custodian**
- Media & Marketing Generalist**
- Residential Services Leasing Agent**
- Relief Manager**
- Resident Manager**
- Executive Administrative Assistant to President**

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www.TMGnorthwestcareers.com

Recruiter: Sharon Jutila
360.397.0332
7710 NE Vancouver Mall Drive
Vancouver, WA 98662
sharon.jutila@TMGnorthwest.com

Visit our career website for more details and qualifications for these positions.

TMG is an Equal Opportunity Employer and is committed to diversity in its workforce.

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President
Carmen Villarma
360.397.0310
carmen.villarma@TMGnorthwest.com

Chief Financial Officer
Denise Dunkle
360.397.0343
denise.dunkle@TMGnorthwest.com

Vice President
Rebecca Blaisdell
360.397.0329
503.858.1089
rebecca.blaisdell@TMGnorthwest.com

Controller
Kirsten Osborne-Castre
360.397.0348
503.858.1081
kirsten.osborne-castre@TMGnorthwest.com

AVP Accounting Operations
Jaylin Guerrero
360.397.0341
jaylin.guerrero@TMGnorthwest.com

Director of Human Resources
Sharon Jutila
360.397.0332
503.858.1091
sharon.jutila@TMGnorthwest.com

Single Family Department Manager
Suzanne Dickson
360.397.0284
503.858.1090
suzanne.dickson@TMGnorthwest.com

AVP Sr. Property Manager
Jorge Ferro
360.397.0318
503.858.1225
jorge.ferro@TMGnorthwest.com

Associate Broker/Property Manager
Jim Parker
360.397.0309
jim.parker@TMGnorthwest.com

Property Manager
Diana Ferguson
360.397.0324
diana.ferguson@TMGnorthwest.com

Training and Compliance Manager
Corporate Administration
Mileah Navarre
360.397.0320
mileah.navarre@TMGnorthwest.com

Capital Projects Manager
Victor Kuring
360.397.0342
503.858.1203
victor.kuring@TMGnorthwest.com

Multi Family Department Manager
Loya King
360.397.0325
loya.king@TMGnorthwest.com

Portfolio Manager
Michelle Doern
360.397.0325
michelle.doern@TMGnorthwest.com

Portfolio Manager
Andrea Barnhart
360.397.0345
andrea.barnhart@TMGnorthwest.com

AVP Association Department
Michelle Underwood
503.858.1083
360.397.0335
michelle.underwood@TMGnorthwest.com

Executive Community Manager
Lynda DuLong
503.858.1094
360.397.0288
lynda.dulong@TMGnorthwest.com

Community Manager
April Carroll
503.858.1202
360.397.0308
april.carroll@TMGnorthwest.com

Associations
503.598.0552
360.891.8060

Community Manager
Maggie Gazdagh
503.858.1204
maggie.gazdagh@TMGnorthwest.com

Community Manager
Sandee Enbysk
503.858.1084
sandee.enbysk@TMGnorthwest.com

Community Manager
Kim Braaten
503.858.1208
360.397.0275
kim.braaten@TMGnorthwest.com

Community Manager
Rosemary Tucker
503.858.1211
360.397.0282
rosemary.tucker@TMGnorthwest.com