

**Silver Firs Homeowners Association Phase II**

**Finance Committee Meeting**

**Minutes**

**Fire Station #13**

**JUL-14-2003**

Troy Lucas	Board Member and Finance Committee
Jim Yourkowski	Board Member and Operations Committee

**7:00 PM Troy called meeting to order.**

**Re-Sign Check for fence removal at the main intersection.**

TL	Please re-sign this reserves check for fence removal at the main intersection.
JY	(Jim re-signed the check).
TL	Explanation: The original check was written on the checks for the old account. I've directed The CWD Group to destroy all check stock on the old account.

**Capital Reserve Analysis**

JY	<p>Summary</p> <p>On MAY-27, our financial auditor, Andrew McAlister (206- 352-8066) contacted Jim Yourkowski with focus on the <a href="#">capital reserves</a> analysis. Andrew was in the process of preparing the financial audit report for the year 2002. He recommended that the association validate its reserve analysis as follows:</p> <ul style="list-style-type: none"><li>• Determine the existing funds in the account.</li><li>• Determine the expected cost of replacements.</li><li>• Determine the remaining life of the equipment.</li></ul> <p>Background</p> <ul style="list-style-type: none"><li>• The association was incorporated in 1992.</li><li>• The reserve fund was created in 2000.</li><li>• The Association's annual contribution to the reserves is \$14, 166 based on an equipment replacement value of \$203, 265, the estimated life of the equipment and 0% inflation rate.</li><li>• In JAN-28-2003, the Finance Committee made a commitment to remove the 5% contingency factor from the analysis and increase the contribution to the account for inflation beginning with the 2004 budget. The increase is \$2000 for each anticipated inflation percentage point; 1% inflation adds \$2000, 2% inflation adds \$4000, etc.</li></ul> <p>Andrew's concern is that the Association did not fund its reserve in the first 8 years of its existence (1992 thru 1999), so we can anticipate that our reserves will be under-funded.</p> <p>Assuming a savings interest rate of between 1% and 4%, we are short between \$118,000 and \$136, 000. An average shortage would be about</p>
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	<p>\$127,000.</p> <p>He suggested that the Association might wish to create a special assessment to acquire the funds necessary to raise the value of the reserve account. This equates to a one time special assessment of \$144 per homeowner.</p> <p>Jim suggested that the Finance and Operations Committees make a <a href="#">commitment</a> to work together to validate the Reserves Analysis prior to the next board meeting.</p>
TL	<p>I suggest that we do as Andrew suggests. We should baseline our reserves analysis this year. The Operations Committee should estimate the remaining life of the equipment and possibly the cost of replacement (we already have factors provided by Centex that may still be valid). The Committee may need to hire a professional estimator to estimate life and cost.</p> <p>Then, the Finance Committee can recalculate the reserves analysis and make a recommendation to the Board to adjust the dues to finance the reserves.</p>
JY	<p>I make a commitment to provide the information required by the Finance Committee to baseline the reserves analysis.</p>

### Financial Auditor

TL	<p>Did the board select the association's financial auditor?</p>
JY	<p>My recollection is that our current auditor was referred by CWD and we accepted the referral. But I don't remember the details. We started auditing the year 2001, I think.</p>
TL	<p>I think the board should select our auditor, not The CWD Group. Standard practice is for the board to select an auditor that is not associated with the accountants of a corporation. If our current auditor is associated with The CWD Group, we should question the impartiality of the audit.</p>

### Petty Cash

JY	<p>How does the petty cash system work?</p>
TL	<p>The Board has approved an association expense called "petty cash" and I got \$500 in cash. I put the cash in a box, which I store in a secure place. The purpose of the petty cash is to separate the reimbursement function from the accounting function temporarily in order to speed up the reimbursement function. The accounting function can be delayed to later.</p> <p>When the petty cash is low, I forward all receipts to The CWD Group to accomplish the accounting function.</p>
JY	<p>Under what conditions does the association use the petty cash funds?</p>
TL	<p>When reimbursement is urgent</p> <p>When the amount is small</p>
JY	<p>Thanks for the explanation.</p>

### 2004 Budget Requests

TL	<p>I'm collecting budget requests for the year 2004</p>
JY	<p>For Operations, I have 3 categories of expenses:</p> <ol style="list-style-type: none"> <li>1. Trees of Concern- \$2000</li> </ol>

	<p>2. Capital Equipment Improvements- Variable, to be determined each year. Example- Create a corridor across the dam in Pembridge.</p> <p>3. Capital Equipment Replacement- Funded by Capital Reserves. Example- Removal of the fence at the main intersection.</p>
TL	Please send me your estimates for Items 1 and 2 above.
JY	I make a commitment to provide the Operations Committee budget request for the year 2004 to the Finance Committee.
JY	I think we need to create a system to control our costs better.
TL	We could start budgeting by committee rather than by subject. We could hold each committee accountable for the money they spend for the services of suppliers like The CWD group.
JY	So if Rules committee decides to prosecute a new rule, they would first have to consider the costs of the rules enforcement. Or if Operations desires bids to build a new fence and it asks The CWD Group to collect bids, they must consider the cost of collecting those bids.
TL	Yes. It forces each committee to think about the costs of whatever they do personally, by committee or by the hiring of an agent.
JY	I like the idea. I would like this committee to propose that the 2004 budget is organized by committee and that The CWD account for their costs by committee. This will provide each committee head with a tool for controlling costs.
TL	Second the motion. Vote is unanimous.

**Meeting adjourned at 8:00 PM**