

Finance Committee Meeting Minutes

Location: Charleston Pool Office

Date: Wednesday, June 25, 2008

Time: 10:30 am – 12:30 pm

Attendees:

Ron Murphy (chairman)

Frank Ingrassia

Ron Weismehl

Armand Houze

Ed Welt, Treasurer

DISCUSSION

The Finance Committee met to discuss current financials and the coming fiscal year budget process for the University Place HOA on Wednesday June 25, 2008 at 10:30 am.

DSR - Debt Service Reserve

On Friday, the CDD bonds were sold, and the original bonds were paid off. As a result of this transaction, \$197,531.44 was transferred to the HOA checking account. This amount is somewhat less than the \$223K we were expecting due to the fact that \$26K was held back to secure the new bonds. To compensate for this incorrect holdback the CDD will include the \$26K along with their payment for the Central Irrigation System (CIS), which is being sold to the CDD by the HOA. Treasurer Ed Welt will seek to deposit these funds in short term or laddered CDARs (CDs that support FDIC insurance on more than \$100K per entity) to gain maximum interest.

Deferred Revenue Summary

As you recall, there was \$93,292.50 of 2007 surplus carried forward into 2008 as the Deferred Revenue Account. We have allocated \$20K to Capital Replacement, \$5K provision for Income Tax (\$4478 spent), \$10K for Legal on the Water Issue (\$13.7K spent), and \$20K for Grounds, (\$21K spent). The remainder of \$34K is still being held as contingency funds.

Capital Replacement Reserves

So far, we have planned \$66,891 in expenditures and have allocated or expended about \$65,190, effectively utilizing the entire fund for 2008 (there is a small balance of \$1701 remaining). These were planned replacements, including bubblers, fountains, pool furniture, irrigation system equipment, security, gutters, et al, and these are being installed on a staggered schedule.

Review of May 2008 Balance Sheet

Ron briefly touched on the May 2008 financials, and all were well within the bounds and limits of our estimates. Pool Heat continues a bit high as the cost of energy is spiraling, but overall the actual vs. budgeted figures are tracking well.

Schedule for Remaining Meetings

Ron outlined a schedule for the remainder of the calendar year, with the primary purpose of creating and fine-tuning a budget for 2009, and presenting various iterations of that to the Board of Directors.

Budget for 2009

Ron went over a preliminary pro forma of what the 2009 Budget might look like, in the absence of the CIS (Central Irrigation System) expenses, which are going to be transferred over to the CDD. The group discussed several new items that may wind up in the 2009 budget, including “unkempt property costs”, “newsletter publication”, etc., and a lively discussion ensued over how to handle our “bad debt” carry over into 2009 (see next item).

Delinquencies

Accounting for delinquencies was reviewed in detail: the HOA Fees and Late Charges are booked as Revenue (based on the accrual system) when they are collected. However, the AMI Costs and Legal Fees are booked as an expense, and then credited back to those lines, so that they appear to be a wash, but this is not really the case. In general terms, from Ron’s analysis of a typical delinquent account, about 60% of the monies recovered are HOA Fees and 40% are AMI, legal, and late fees (including interest). The task of computing or estimating provisions for bad debt is therefore a complex and time consuming process. After much debate, the committee decided to carry forward just the incremental increase in delinquencies as bad debt in 2009, since we have already accounted for the 2007-08 bad debt in the budget for this year. Also, at some point we may need to “write off” the bad debt as unrecoverable, and take advantage of that bad debt tax-wise. Ed will ask our attorney about the impact of the State of Florida’s new law limiting recovery of HOA fees to 12 months, which takes effect in July, and whether “grandfathering” of prior claims will be permitted. Ron will consult with our accountant to define a reasonable timeframe for recovery of delinquencies – after which we will “write off” the debt.

Next Meeting

The next meeting of the FC is scheduled for Wednesday, **July 23** at **10:00 am**.