

Finance Committee Minutes January 14, 2009.

Chairman Jim Susa called the Finance Committee meeting to order at 7:00 p.m. Committee members Mary Chaffin, Debbie Budd, Dale Henson and birthday boy Jay Gerding were present and represented a quorum. There were no Committee members absent. Jim mentioned to the Committee that he regretfully had accepted the resignation of long-time Committee member Alyssa Rhein. All agreed that Alyssa would be greatly missed. Guests were Jennie Oliver and Harlan Quinn. Gerrie Crawford from Stratford Management was also present. Board liaison John Lambert was absent due to another Association commitment scheduled at the same time.

Harlan moved to approve the November 2008 minutes. Debbie seconded the motion and it was unanimously approved.

The Committee then discussed the November 2008 financials. Jim gave a general overview of the structure of the financial statement for the new members of the Committee. The financials show \$219,858 in the operating account at National Bank and \$1,279,931 in the various other accounts, of which \$300,000 was for operations and the remainder was for reserve. All money of the Association was either in an account fully covered by federal depository insurance or invested directly with the federal government. The Committee also discussed any unusual items in the income statement noting \$3,560.33 for the facilities committee that was for parcel monument installation, replacement and repair. This amount was approved in the prior fiscal year budget and needs to be transferred to the October 2008 income statement. The income statement showed total revenues of \$592,260 (mostly semi-annual dues received) and expenses of \$81,855 leaving a monthly surplus of \$510,404. A motion was made by Jay to recommend the approval of the November 2008 financial statements to the Board. Mary seconded the motion and it was unanimously approved.

The Committee then discussed a concern involving the investment return on the reserve fund. Most of the reserve fund (\$450,000) is invested in treasury securities with a 13 week maturity. The interest rate on those securities has plummeted over the past four months as investors scramble for safe short-term investments. Securities purchased in October have a yield of 1.271 percent. Securities purchased in November have a yield of .538 percent. An auction of securities on January 15, 2009 resulted in a yield of .122 percent meaning a purchase of \$1 million in those securities would pay \$1,220 for an entire year. The budget approved by the Board anticipated \$36,000 in interest income from the reserve funds. In fiscal year 2008, \$32,534 in interest was earned on the reserve fund. Given this drop in treasury security interest rates, the Committee is concerned if even half of the budgeted amount will actually be earned. The Committee will continue to monitor the interest rates and will present to the Board a revised forecast of interest earnings after the Committee's March meeting.

The Committee then discussed the December 2008 financials. The financials show \$165,320 in the operating account at National Bank and \$1,280,832 in the various other accounts, of which \$300,000 was for operations and the remainder was for reserve. The

Committee discussed any unusual items in the income statement including \$5,230 for postage (this was to refill the meter and does not occur very often in the year) \$2,570 for office expense (this was for a fire proof lock box for financial records, name plates for Board members and new storage boxes for the storage room) and \$5,263 in landscape upgrades (which were approved by the Board). The Committee also noted that the accounts receivable balance on the balance sheet had dropped \$44,000 between November and December which was the result of late paid dues being paid in December. A motion was made by Mary to recommend the approval of the December 2008 financial statements to the Board. Dale seconded the motion and it was unanimously approved.

The Committee then discussed the progress of the annual financial audit being conducted by the firm of Mitchell & Roediger, CPAs. A number of documents were requested by the auditor to begin the field work. Those documents were accumulated by the management company and the auditor picked up the documents on January 12th. The next item expected is a draft of the audit report. This should be available in approximately three weeks.

The Committee then discussed elements of the internal cash control system. To strengthen the system, the Association Treasurer should open the monthly operating account statement and review all cancelled checks for any irregularities. A motion was made by Jim to request the Board adopt a resolution requiring the management company to notify the Treasurer when the monthly operating account statement is received and then to have the Treasurer open the statement and to review the statement and cancelled checks for any irregularities. Debbie seconded the motion and the motion was approved on a three (Jim, Dale and Debbie) to two (Jay and Mary) vote.

Jim then briefed the Committee on a presentation he will give to the Board at their meeting January 29<sup>th</sup> regarding the internal cash control system and the function of the various Board members, management company and the Committee in that system.

The Committee then discussed that the next meeting would be March 11, 2009 at the Windmill Park office at 7 p.m. When the January financial statements are completed, Gerrie will email them to the Committee for information only. No actions will be taken on the January statements until the March meeting, when they, and the February statements, and any other matters coming before the Committee will be addressed. The Committee discussed the adequacy of every other month Committee meetings and agreed that they were frequent enough to accomplish the duties of the Committee.

The Committee then asked Jennie Oliver if she was interested in joining the Committee. After an affirmative acknowledgment, the Committee requested that she discuss her background in finance, accounting and business. After the discussion, Mary moved that the Committee recommend Jennie Oliver to the Board for membership on the Committee. Jay seconded the motion and it was unanimously approved.

The Committee then asked Harlan Quinn if he was interested in joining the Committee. After an affirmative acknowledgment, the Committee requested that he discuss his

background in finance, accounting and business. After the discussion, Jim moved that the Committee recommend Harlan Quinn to the Board for membership on the Committee. Debbie seconded the motion and it was unanimously approved.

The meeting was adjourned at 8:07 p.m.