

**BELLASERA COMMUNITY ASSOCIATION**  
**Budget & Finance Committee Meeting Minutes**  
**April 25, 2008**

**PRESENT:** Clayton Loiselle, Carlton Rooks and Charles Schroeder

**ABSENT:** Dennis Noone

The Budget & Finance Committee Meeting was called to order at 2:45 PM. A quorum was present.

**Purpose of the Meeting**

To review and approve the B&F Committee Meeting Minutes of February 29, 2008 with Addenda covering the 3/5/08 and 3/18/08 B&F Committee Meetings and the 3/19/08 BOD Study Session. As well as to review the February and March 2008 Financial Reports of BCA and to discuss the Status of the BCA Banking Relationship Proposal.

**Minutes of the February 29, 2008 B&F Committee Meeting**

The Minutes of the February 29, 2008 B&F Committee meeting were reviewed and unanimously approved as amended.

**Review of BCA Financials for February and March 2008**

See attached copies of the reviews for details. Cash balances in BCA's accounts at First National Bank of Arizona remained within the FDIC insured limit (\$100K) but balances in excess of the limit set by BOD (\$50K) were recorded on 6 days each of the two months. During February the purchase of a wireless microphone system for \$271 was recorded under line item #5112 *Meeting & Community* expenses causing a 1253% overage. The expense should be charged to *Office Expense*. Both reviews commented extensively on the unresolved issues of BCA's income taxes and the Committee decided to ask Charles Schroeder to address an action plan and offer of guidance towards resolution to the Community Manager – or if not available – to Earlene Morgan. The Committee will follow the unwinding of last year's tax overpayment closely until its final resolution including to make sure that the apparently past due (on 3/17/08) payment of the last quarterly installment of BCA's Estimated Federal Taxes is paid. (Copy of Charles Schroeder's Memorandum on the BCA Income Taxes enclosed).

**The BCA Budget for FY 2008/2009**

The BCA Operating Budget for FY 2008/2009 was approved by the Board on April 24, 2008 after additional reductions in expenditures. Overall dues will increase by 5%. While the contribution to Reserves has been set, the Reserve Budget for the new fiscal year has not yet been approved by BOD. The members of the Budget & Finance Committee request that they receive copies of the approved new budget and - once approved by the Board – the new Reserve Plan for FY 2008/2009.

**Bellasera Community Association Banking Relationship**

The Committee had previously submitted a Resolution to the Board of Directors to limit BCA's credit exposure to the First National Bank of Arizona. The Resolution – as amended – was adopted by the Board on April 24, 2008. (A copy of the final version of the BCA Cash Management Policy is enclosed).

**New Business**

Several new tasks are contemplated as the Committee moves forward:

- Review of BCA Contracts jointly with the Building & Grounds Committee;
- Review of Warranties/Guarantees jointly with B&G Committee;
- Assist and encourage AAM to come up with a Narrative of Budget Line Items;
- Review of Reserve Components/Price changes using Win Reserve;
- Review the various BCA accounts at FNBA to eliminate those not needed
- Develop graph to demonstrate Budget Performance.

There being no other business the meeting was adjourned at 4:10 PM.

**The next meeting date:** Friday, May 23, 2008 at 2:30 PM at Clubhouse

**Enclosures:** Meeting Agenda for B&F Committee Meeting on 4/25/2008;  
Review of BCA Financials for February 2008;  
Review of BCA Financials for March 2008;  
Transmittal E-Mail RE: BCA Income Taxes;  
Memo RE: Bellasera Federal Income Tax Account #5161;  
Memo RE: Bellasera AZ State Income Tax Account #5162;  
Final version of BCA Cash-Management Policy.

Prepared by:

Approved by:

Charles Schroeder  
Recording Secretary, B&F Committee

Clayton Loielle  
Chairman, B&F Committee

**Bellasera Community Association  
Budget & Finance Committee**

**Meeting Agenda for April 25, 2008**

1. Review / approve minutes of our last meeting (February 29, 2008) with Addenda covering 3/5/08 and 3/18/08 B&F meetings and 3/19/08 BOD Study Session
2. Review BCA Financial Statements for February and March 2008
3. Discuss Status of BCA Banking Relationship Proposal
4. New Business
5. Set next meeting date

## Review of BCA Financials for February 2008

**Comments:** With a high of \$72,160 and a low of \$2,416 during the month of February Operating Cash Balances at the Community Association Banc (a Division of First National Bank of Arizona) were well within the limits set by FDIC (\$100,000) but exceeded on 6 days the limit set by the BCA Board (\$50,000).

**Income:** In line with budget.

**Salaries & Benefits:** YTD over budget \$865 due to payment of bonuses.

**Administrative & General:** Overall under budget despite several overages in individual line items including an overage of \$250.61 or 1253% in line item #5112 *Meeting & Community* for the purchase of a wireless microphone. Recording this expense under *Office Expense* may be a better way. (There is room to do it too!)

**Contract Services:** Overall over budget with overages in *Janitorial* and *Pool/Spa Maintenance Contracts* totaling a combined \$3,868 YTD.

**Repairs & Maintenance:** Overall under budget.

**Utilities:** *Electricity, Gas* and Telephone are over budget, however, overall YTD under budget.

**Income Taxes:** The two line items (Federal + State income taxes) do not show as yet a clear picture of BCA's current tax situation for the following reasons:

- On February 19, 2008 AAM paid two checks for \$400 each to AZ Department of Revenue based on a memo dated August 9, 2007 by the BCA Tax Accountant and specifying that the aforementioned amounts were to be paid one on October 15, 2007 and the other on December 17, 2007. The memo, by the way, is the same that caused the overpayment of BCA Federal and State income taxes.
- The overpayment of \$5,784 last August (including a \$70 late payment penalty) of both Federal and State income taxes will be and has been only partially refunded. \$3,394.21 to be received from the IRS and \$663.53 has been received from AZ State.
- **It is recommended that the BCA Board contact the BCA CPA's Butler & Jones to determine the exact status of our Association's Tax situation to avoid the potential payment of late and penalty fees.**

**Insurance:** Slightly over budget.

**Owners' Equity:** Operating Owners' Equity stood at the end of February 2008 at \$38,132 as per B/S prepared by AAM.

**Replacement Reserve Account at Merrill Lynch:**

As of February 29, 2008 the total balance is \$675,606 yielding 3.68% p.a. interest vs. 4.28% p.a. in January. Of this amount \$60,000 are invested in CD's.

**Forthcoming CD Maturities:** None until September 2008.

Charles Schroeder

## Review of BCA Financials for March 2008

**Comments:** With a high of \$64,051 and a low of \$4,624 during the month of March Operating Cash Balances at the Community Association Banc (a Division of First National Bank of Arizona) were well within the limits set by FDIC (\$100,000) but exceeded on 6 days the limit set by the BCA Board (\$50,000). - In follow-up of my recommendation to the Board in my February Review to take action to resolve the confusion created by the AAM Accounting Department in maintaining (or most likely not maintaining) BCA's Income Tax Accounts (Account #'s 5161 and 5162) I now urge the Board to take immediate action to prevent possible penalties for late payment of estimated taxes by seeking clarification from AAM and if necessary from BCA Tax Counsel. For further information see below.

**Income:** Slightly above budget.

**Salaries & Wages:** YTD over budget \$638 due to payment of bonuses.

**Administrative & General:** Overall under budget despite overages in 7 individual line items.

**Contract Services:** Overall under budget with overages in *Janitorial* and *Pool/Spa Maintenance Contracts* totaling a combined \$1,456 YTD.

**Repairs & Maintenance:** Overall under budget.

**Utilities:** *Electricity*, *Gas* and Telephone are over budget, however, overall YTD under budget.

**Income Taxes:** The two line items (Federal + State income taxes) continue not to present a clear picture of BCA's current tax situation for the following reasons:

- On February 19, 2008 AAM paid two checks (at least one of which was late) for \$400 each to AZ Department of Revenue based on a memo dated August 9, 2007 by the BCA Tax Accountant and specifying that the aforementioned amounts were to be paid one on October 15, 2007 and the other on December 17, 2007. The memo, by the way, is the same that caused the overpayment of BCA Federal and State income taxes. On March 5, 2008 AAM sent another \$400 check to AZ State for estimated Income Taxes. This latter \$400 payment (or a portion of it) appears to be in excess of what BCA owes. According to BCA Tax Counsel BCA owed \$400 each on the following days: 10/15/07, 12/17/07, 3/17/08 and 6/16/08. But because of the Overpayment of \$1,208 last August and a State Tax Refund of \$663.53 in November BCA's Tax Liability on 10/15/07 is assumed to have already been taken care of by the State. The line item *State Income Tax* (A/C # 5162) needs to be adjusted to correctly reflect the current status of BCA's State Income Taxes paid.
- As to BCA's Federal Income Tax Liability the line item *Federal Income Tax* (A/C # 5161) does not show any activity during March and no tax payments during the entire current fiscal year. However, BCA received a Federal Tax Refund of \$84.45 on March 10. For some strange reason AAM recorded this receipt under *Interest Income*. On the other hand AAM eliminated an IRS receivable created in January in the amount of \$3,394.21 which indicates that the original Tax Overpayment Issue has been settled. Now the actual tax payments of BCA to the State and the IRS have to be properly recorded. It is a combination of the estimated income tax payment schedule developed by BCA's CPA and the assessments both by the State and the IRS for the payment dates when BCA did not pay any taxes due because of the overpayments last August.

- **This is why I recommend that the BCA Board take immediate action to work with AAM and, if necessary, with BCA's CPA's, Butler & Jones, to determine the exact status of our Association's Tax situation to avoid the potential payment of late and penalty fees and to eliminate the existing confusion of the two important income tax line items.**

**Insurance:** Slightly over budget.

**Owners' Equity:** Operating Owners' Equity stood at the end of March 2008 at \$55,079 as per B/S prepared by AAM.

**Replacement Reserve Account at Merrill Lynch:**

As of March 31, 2008 the total balance is \$676,838 yielding 3.17% p.a. interest vs. 3.68% p.a. in February. Of this amount \$60,000 are invested in CD's.

**Forthcoming CD Maturities:** None until September 2008.

Charles Schroeder

## TRANSMITTAL E-MAIL RE: BCA INCOME TAXES

Earlene Morgan  
Administrative Assistant to Bellasera Community Manager

Hi, Earlene,

In the absence of the Community Manager I am addressing this matter to you on behalf of the Budget & Finance Committee which discussed it during last week's meeting and hope you can assist us in the resolution of the Bellasera tax issues.

I have included background information for both the Federal and AZ State income taxes in two separate memoranda intended to assist AAM in the resolution. Additional information needed for the final resolution are the documents received by AAM in connection with the settlement of the Overpayment of Federal and State Income Taxes and in connection with the respective tax refunds.(I do not have access to these documents).

### **Recommended Action:**

1. AAM to record the quarterly estimated tax payments appropriately in the **General Ledger Accounts** and the **Bellasera Budget Comparative Statements.**
2. AAM to figure the correct amount due for Federal Estimated Income Taxes due March 17, 2008 and pay that amount **as soon as possible**. In the absence of any information from the IRS the amount to pay would be \$1,500.
3. The amounts of Overpayment of Federal and State Taxes should be re-credited to the prior fiscal year as the refunds were received during the current fiscal year and only the amount of taxes owed for the prior year should be chargeable to the prior fiscal year.

Thank you for your assistance in this matter.

Charles Schroeder.

## Memorandum

**Date:** April 27, 2008

**Subject:** 1) Bellasera General Ledger Federal Income Tax Account # 5161  
2) Bellasera Budget Comparative Statement – Line Item # 5161

**Purpose:** To Provide Background Information that will Assist AAM to Update/ Correct Information Contained in the Captioned Accounts and, if Necessary, Make Estimated Income Tax Payments Due

The table below summarizes Bellasera’s Federal Tax Liability for the Fiscal Year 2006/2007. The Tax Liability was over-reported in Bellasera’s Tax Return since Mr. Hansen, CPA, did not factor in that Bellasera had already paid \$3,518 in estimated income taxes. As a result, an amount of \$5,739.00 was paid to the IRS on August 31, 2008 including an overpayment of \$3,518. It should be noted that this amount was charged against the prior year’s *Owners’ Operating Equity*.

On January 31, 2008 AAM established a *Receivable* of \$3,394.21 to be received from the IRS as Refund of the previous Overpayment subject to the deduction of estimated payments owed by Bellasera on 10/15/2007 and 12/17/2007. (See Payment Schedule of Estimated Taxes as recommended by Bellasera’s CPA in table below). AAM did not make any estimated payments through March 17, 2008.

On March 10, 2008 AAM recorded a Federal Tax Refund of \$84.45 (erroneously recorded in the *Interest Income Account*) which means that Bellasera failed to pay the estimated Federal income taxes due on March 17, 2008.

For the entire current fiscal year the Bellasera Budget Comparative Statement does not reflect any payments of estimated Federal income tax payments at all. Neither does the General Ledger Account # 5161.

**Summary of Bellasera HOA 2006 Federal Income Tax Liability (covering BCA Fiscal Year 2006/07)**

\$5,749.00	Total Tax Due
-\$10.00	Carryover of Refund from prior Year
-\$3,518.00	Total Estimated Taxes Paid
\$2,221.00	Tax Due by September 17, 2007
\$5,739.00	Tax Paid to IRS on 8/31/2007
\$3,518.00	Overpayment of Federal Income Tax

**Payment Schedule of Estimated Income Tax as recommended by Bellasera CPA and Current Status**

Date	Amount	Current Status
10/15/07	\$1,500.00	Paid from Overpayment (?)
12/17/07	\$1,500.00	Paid from Overpayment (?)
3/17/08	\$1,500.00	Not Paid
6/16/08	\$1,500.00	Not Paid

The amount of estimated Federal Income Taxes assessed by the IRS and deducted, if any, from the Overpayment of Taxes, as well as any other amounts charged are not known to the undersigned, but should be available from Tax Documents received by AAM in connection with the Tax Overpayment Settlement and Tax Refund.

The aforementioned Tax Documents should also allow figuring the correct amount of Federal Estimated Income Taxes due on March 17, 2008.

Also, the amount of Overpayment of the Federal Income Tax charged to the prior year of \$3,518 should be re-credited to the prior year as Bellasera received the tax refund this current year. Only the amount of taxes owed for the prior year should be charged to the prior year.

Charles Schroeder

April 27, 2008

## Memorandum

**Date: April 27, 2008**

**Subject: 1) Bellasera General Ledger AZ State Income Tax Account # 5162  
3) Bellasera Budget Comparative Statement – Line Item # 5162**

**Purpose: To Provide Background Information that will Assist AAM to Update/  
Correct Information Contained in the Captioned Accounts**

The table below summarizes Bellasera’s AZ State Tax Liability for the Fiscal Year 2006/2007. The Tax Liability was over-reported in Bellasera’s Tax Return since Mr. Hansen, CPA, did not factor in that Bellasera had already paid \$893.01\*) in estimated income taxes. As a result, an amount of \$1,472.00 was paid to AZ State on August 31, 2008 including an overpayment of \$963. It should be noted that this amount was charged in full against the prior year’s *Owners’ Operating Equity*.

On November 30, 2007 AAM received an amount of \$663.53 from AZ State as Refund of the previous Overpayment, assumingly, after deduction of estimated taxes owed by Bellasera on 10/15/2007. (See Payment Schedule of Estimated Taxes as recommended by Bellasera’s CPA in table below). AAM paid the estimated installment of \$400 due on 12/17/07 **very late** on February 19, 2008 and the next one due on March 17,2008 **early** on February 19,2008. The final installment of \$400 due on June 16, 2008 was paid **very early** on March 5, 2008.

Both the *General Ledger* and the *Bellasera Comparative Budget Statement* reflect only the AZ State Income Tax Refund of \$663.53 and the payment of three installments of \$400 each.

**Summary of Bellasera HOA 2006 AZ State Income Tax Liability (covering BCA Fiscal Year 2006/07)**

\$1,404.00	Total Tax Due
-\$2.00	Carryover of Refund from prior Year
-\$893.01	Total Estimated Taxes Paid
\$508.99	Tax Due by October 15, 2007
\$1,472.00	Tax Paid to AZ State on 8/31/2007
\$963.01	Overpayment of AZ State Income Tax

**Payment Schedule of Estimated Income Tax as recommended by Bellasera CPA and Current Status**

Date	Amount	Current Status
10/15/07	\$400.00	Paid from Overpayment (?)
12/17/07	\$400.00	Paid late on 2/19/08
3/17/08	\$400.00	Paid early on 2/19/08
6/16/08	\$400.00	Paid early on 3/5/08

\*) This amount should be equivalent to \$888.00 following the recommendation of CPA, Mr. Reese, to pay 4 estimated tax installments of \$222.00 each. However, on 2/9/2007 AAM paid \$227.01 or \$5.01 more than was due on 3/15/2007. No reason given why.

The amount of estimated AZ State Income Taxes assessed by AZ State and deducted, if any, from the Overpayment of Taxes, as well as any other amounts charged are not known to the undersigned, but should be available from Tax Documents received by AAM in connection with the Tax Overpayment Settlement and Tax Refund.

The above mentioned documents should also allow figuring the correct amount of AZ State estimated income tax due on October 15, 2007 that, assumingly, has been deducted from the tax Overpayment.

Also, the amount of Overpayment of the AZ State Income Tax charged to the prior year of \$963 should be re-credited to the prior year as Bellasera received the tax refund this current year. Only the amount of taxes actually owed for the prior year should be charged to the prior year.

Charles Schroeder

April 27, 2008

**Bellasera Community Association  
Cash Management Policy  
April 24, 2008**

In the matter of the banking relationship between the Bellasera Community Association (“BCA”), and First National Bank of Arizona (“FNBA”), and Community Association Banc (“CAB”):

WHEREAS: The Bellasera Community Association (“BCA”), bank account at FNBA (operating account) routinely exceeds \$100,000, the maximum amount insured by the FDIC, and

WHEREAS: The Board has determined that it is prudent to monitor the account regularly and maintain the balance in the account below the maximum amount insured by the FDIC.

NOW THEREFORE, BE IT RESOLVED THAT:

1. The Board of Directors authorized the President or his designee, to have “view only” access to the FNBA accounts, and
2. If the total balances in all the FNBA accounts exceed \$70,000 or such lesser amount the President deems prudent, the President or his designee, who shall be a Board member, shall instruct AAM to transfer an appropriate amount of funds from the FNBA account to the operating account at Merrill Lynch, and
3. At the beginning of each calendar quarter, upon the advice of the Treasurer, the President or his designee is authorized to instruct AAM to transfer an amount as specified in the current, approved budget to the Reserve Fund at Merrill Lynch.