

BELLASERA COMMUNITY ASSOCIATION
Budget & Finance Committee Meeting Minutes
June 20, 2008

PRESENT: Clayton Loiselle, Dennis Noone, Carlton Rooks and Charles Schroeder

The Budget & Finance Committee Meeting was called to order at 2:35 PM. A quorum was present.

Purpose of the Meeting

To review and approve the B&F Committee Meeting Minutes of April 25, 2008. As well as to review the April & May 2008 Financial Reports of BCA and to discuss the status of BCA's estimated income taxes for the current fiscal year.

Minutes of the April 25, 2008 B&F Committee Meeting

The Minutes of the April 25, 2008 B&F Committee meeting were reviewed and unanimously approved.

Review of BCA Financials for April & May 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) during the two months. The *Contract Services* category has been consistently over budget (YTD \$6,562) and is due to *Janitorial* and *Pool/Spa* expenditures.

BCA Estimated Income Taxes

With the final installment of \$400 paid on 6/11/2008 the *AZ State Income Tax* line item is now in order.

Estimated Income Taxes of \$1,500 due to the IRS on March 17, 2008 were paid on May 5, 2008. AAM has promised that resulting interest and penalty charges will be reimbursed to Bellasera. At this time, we are awaiting confirmation from Dale Woods, AAM, that the first two installments of \$1,500 each on 10/15/2007 and 12/17/2007 have been paid and the line item corrected accordingly.

BCA Reserve Fund Investments

The Committee discussed the current cash balances at Merrill Lynch (ML) and proposed that we obtain current CD rates as they are now beginning to exceed what ML is paying on BCA's cash balances. B&F has recommended that \$400,000 to \$450,000 be invested in \$90,000 tranches in separate banks to be covered by FDIC insurance. (In the meantime, Clayton Loiselle has sent a formal recommendation to this effect to the BCA Board).

OPS Account at First National Bank of Arizona

Balances at FNBA are now monitored at least weekly by AAM and Chuck Roach or his designate to minimize BCA's exposure. This will help to keep balances within FDIC insured levels. **The bank has been merged into and renamed First National Bank of Nevada, effective June 30, 2008.**

Other Business

- **BCA Contract Review:** Building & Grounds is currently reviewing all of BCA's contracts and vendor arrangements as well as Warranties and Guarantees. B&F Committee has offered its assistance.
- **Final Version of BCA Current Budget:** Dennis Noone will distribute copies of the approved 2008/2009 Budget to the B&F Committee members.

New Business

Several tasks remain as the Committee moves forward:

- Work on *Continuity Model* in case FNBA is closed by US regulators;
- Review of Reserve Components/Price changes using Win Reserve;
- Develop graph to demonstrate Budget Performance;
- Refine task to create *Narrative of Budget Line Items* in cooperation with AAM.

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

The next meeting date: Friday, August 22, 2008 at 2:30 PM at Clubhouse (unless a meeting is called earlier in July).

Enclosures: Meeting Agenda for B&F Committee Meeting on 6/20/2008;
Review of BCA Financials for April 2008;
Review of BCA Financials for May 2008;
B&F Recommendation to Invest BCA Reserve Funds in CD's

Prepared by:

Approved by:

Charles Schroeder
Recording Secretary, B&F Committee

Clayton Loiselle
Chairman, B&F Committee

**Bellasera Community Association
Budget & Finance Committee**

Meeting Agenda for June 20, 2008

1. Review / approve minutes of our last meeting (April 25, 2008)
2. Review BCA Financial Statements for April and May 2008
3. Discuss BCA Estimated Income Taxes
4. Investment of Part of BCA's Reserve Funds
5. Other Business
6. Set next meeting date

Review of BCA Financials for April 2008

Comments: With a high of \$89,715 and a low of \$48,151 during the month of April 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). The average balance for the month was \$66,073. In addition the Petty Cash Account had a balance of \$2,000. - Dale Woods, Controller of AAM, is currently reviewing AAM's accounting of Bellasera's *Income Tax Accounts* in both the General Ledger and the Budget Comparison Statement. It appears that for the current fiscal year AAM has only recorded certain tax refunds which resulted from last year's tax overpayment and did not record Bellasera's required quarterly estimated tax payments. Some of these tax payments had been deducted by the respective Tax Authorities, but not all, from the prior tax overpayments. We are awaiting Mr. Woods review.

Income: Slightly above budget.

Salaries & Wages: Slightly over budget.

Administrative & General: Overall under budget despite small overages in 4 individual line items.

Contract Services: Overall 21% over budget with overages in *Janitorial* and *Pool/Spa Maintenance Contracts* and *Security* totaling a combined \$5,026.

Repairs & Maintenance: Overall under budget YTD.

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

Income Taxes: As mentioned in my "Comments" above Dale Woods, Controller of AAM, is currently reviewing the two line items to assure that they reflect the proper payments of Estimated Income Taxes and Tax Refunds. During the month of April an income tax refund was received from AZ State in the amount of \$400. The *Variance Report* identifies this refund as "February duplicate estimated Payment" but it was actually the payment made on March 5, 2008 which is only due by June 16, 2008. The \$84.45 Income Tax Refund received from the IRS on March 10, 2008 was booked by AAM as *Interst Income* and needs to be adjusted. AAM shows an IRS Income Tax Refund of \$3,394.21 in both the General Ledger and the Budget Comparison Statement, however, only the aforementioned \$84.45 were received while the IRS deducted estimated income tax payments due earlier and, possibly, fees from the prior overpayment of taxes last year.

Insurance: Slightly over budget. An insurance policy premium increase became effective in April.

Owners' Equity: Operating Owners' Equity stood at the end of April 2008 at \$20,361 as per Balance Sheet prepared by AAM.

Replacement Reserve Account at Merrill Lynch:

As of April 30, 2008 the total balance is \$700,610 yielding 2.62% p.a. interest vs. 3.17% p.a. in March. Of this amount \$60,000 are invested in CD's.

Forthcoming CD Maturities: None until September 2008.

Charles Schroeder
5/21/2008

Review of BCA Financials for May 2008

Comments: With a high of \$67,370 and a low of \$28,649 during the month of May 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). The average balance for the month was \$47,253. In addition the Petty Cash Account had a balance of \$1,758. - Dale Woods, Controller of AAM, has been reviewing AAM's accounting of Bellasera's *Income Tax Accounts* in both the General Ledger and the Budget Comparison Statement, but so far the only impact of my memo dated 4/27/2008 was a payment of \$1,500 to the IRS on May 6, 2008 which had been due on March 17. It is imperative that AAM correctly records the actual activity in BCA's *Income Tax Accounts* for the current fiscal year. We are still awaiting the results of Mr. Woods review.

Income: Slightly above budget.

Salaries & Wages: Below budget, but slightly above YTD budget

Administrative & General: YTD under budget, however, this category is distorted because BCA's Income Tax Payments have not been properly recorded.

Contract Services: YTD 2.7% over budget with overages in *Janitorial* and *Pool/Spa Maintenance Contracts* totaling a combined \$6,562.

Repairs & Maintenance: Overall under budget YTD.

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

Income Taxes: As mentioned in my "Comments" above Dale Woods, Controller of AAM, is currently reviewing the two line items to assure that they reflect the proper payments of Estimated Income Taxes and Tax Refunds. As to BCA Federal Income Taxes AAM shows YTD an IRS refund of \$3,394.21 and a payment of \$1,500 for a gain of \$1,894.21 instead of an expense of \$4,500 (perhaps adjusted for IRS refunds that actually belong into the prior fiscal year) in estimated payments. As to BCA AZ State Income Taxes AAM shows YTD refunds of \$1,063.53 and payments of \$1,200 resulting in a total expense of \$136.47. Again part of the refunds belong into the prior fiscal year. AAM received a schedule of estimated income taxes due dates, namely, 10/15/07, 12/17/07, 3/17/08 and 6/16/08, from BCA's Tax Counsel. The respective amounts for the IRS are \$1,500 each and for AZ State \$400 each. These amounts should be recorded in BCA's financial records, no matter whether these amounts were paid directly or deducted from past over payments.

Insurance: Slightly over budget. An insurance policy premium increase became effective in April.

Owners' Equity: Operating Owners' Equity stood at the end of May 2008 at \$36,766 as per Balance Sheet prepared by AAM.

Replacement Reserve Account at Merrill Lynch:

As of May 31, 2008 the total balance is \$702,011 yielding 2.44% p.a. interest vs. 2.62% p.a. in April. Of this amount \$60,000 are invested in CD's.

Forthcoming CD Maturities: None until September 2008.

Charles Schroeder
20 June 2008

BCA Reserve Fund Investments

Chuck / Dennis,

At the moment, BCA has about \$640,000 in money market funds (cash) in the Reserve Fund at Merrill Lynch as follows:

Money Market Fund: \$444,000 earning 2.16% pa (as of May 31, 2008)

Institutional Fund: \$197,000 earning 2.72% pa (as of May 31, 2008)

In addition, BCA currently holds two CD's which will mature as follows:

Washington Mutual Bank: \$20,000 -- 9/2/08

Capital One Bank: \$40,000 -- 11/10/08.

FDIC insured CD's are currently yielding approximately 3.1% to 4.1% over the 6-month to 2-year maturity range.

Bottom line -- BCA is awash in cash and there appears to be an excellent opportunity to invest in FDIC insured CD's. On this basis, the B&F Committee is recommending that we purchase five (5) FDIC insured CD's in the amount of \$90,000 each in SEPARATE banks with a maturity ranging from six months to two years. We recommend laddering the maturities over this range -- eg. 6, 9, 12, 18, 24 months. We do NOT recommend going longer than 24 months. We would recommend drawing the bulk of the funds from the Money Market Fund, leaving only enough cash to meet any known short-term Reserve Fund expenditures.

If we may be of further assistance in this matter, please let me know at your convenience.

Regards,

Clayton Loiselle

On behalf of the Budget and Finance Committee

July 11, 2008