

ROTONDA WEST ASSOCIATION, INC.

Budget & Finance Meeting Minutes

May 13, 2024 – 9:30AM

1. CALL TO ORDER at 9:30am by Timothy Houghton
 - a. ROLL CALL: Sam Besase, (RW Treasurer), Jack Metz (BoD Liaison), Colleen Koppenhaver, Timothy Houghton, Thom Lisk, Derrick Hedges & Jenny Bulle Absent: Tom D'Abrosca, RoseAnne Woodliff
2. Approval of minutes of April 8, 2024: Motion to approve Colleen Koppenhaver, seconded by Sam Besase. Approved as written.
 - a. Members – Property Owners Input – None Present
3. Regular Business – RWA Treasurer Overview (**Sam Besase**) – See Attached Report for details
Monthly Financial Review – April 2024
 - a. Income Analysis – April 2024: Total cash is \$3,117,041. Income is over budget by ~\$20.3K. Estoppel and transfer fees have improved and are now ahead of budget. All questions were asked and answered.
 - b. Expense Analysis – April 2024: Expenses overall is under budget by ~\$176.5K
 - i. Federal and State Liability Tax Expense Line Item for Budget 2025: **Discuss with Auditor when RWA should expect Tax liability from interest earned on CDRs.**
 - ii. Stolen checks issue has been resolved.
 - c. Reserves Analysis -April 2024: The Board approved amount of \$150,000 has been fully moved into reserves. The 2024 three-year Reserve study has been reviewed with the Board.
 - i. **Derrick recommended Committee consider moving more Operating Funds in Reserves and have the Reserve Study updated with Reserve Study author, Pierre Del Rosario, RSS, RS given Board approved Building Project.**
 - ii. C. Koppenhaver noted 2023 Year End financials reported \$286,000 was approved and moved into reserves but 2023 Audit noted \$200,000 moved into reserves. What caused the discrepancy? **S. Besase recommended that follow up by Manager to be done and reported back to Committee at June 2024 meeting for Educational Purpose.**
 - iii. Designated Contribution questions were answered.
 - d. CDAR Operations & Reserves – Analysis – April 2024: Latest CD rates is 5.1%.
4. Old Business:
 - a. RWA Manager update on Liens/Foreclosures: There are two foreclosures scheduled in June each over \$30K. There were three but one went into bankruptcy. By law we can only collect one year of assessment fees. One current Balance of \$2118.83 will be turned into bad debt this year.
 - b. Currently there are 8-9 bankruptcies within HOA. It is rare for HOA to get any reimbursement from bankruptcy.
 - c. Delinquent Property Owners Analysis –April 2024: ~93.44% of owners have paid 2024 assessments. We are starting to get more builders who are in financial problems and it will create more problems for RWA and consideration of New Build procedures.
 - d. Budget 2025: The question of how Delinquency amounts that are collected should be tracked for budget purpose needs clarification. Jenn spoke with CPA of Audit firm regarding reimbursements received, how they are broken out into the various accounts, legal fees, assessment, etc. The committee still needs to understand where bad debt recovered monies received are recorded after being written off. With the Budget of 2024, we noted income in various categories, i.e., legal fees reimbursed, fine reimbursement, etc. but it does not appear those are being broken out of money received in current monthly financials. **We also need input from Auditors on how to do accounting for non-collectables.** When reviewing 2023 audited financial statements, the reserve for doubtful accounts or credit losses

was \$221K on our year end financials but auditors reduced that to \$173K. We need to understand why the auditors adjusted the amount what to expect when developing 2025 budget for bad debt. **Follow Up (Derrick/Jenny):** Derrick to share auditors recommended journal adjustments and ask Auditors if C. Koppenhaver may see audit worksheets on how they decided to make their adjustments and recommended journal entries to assist in budgeting Bad Debt or Credit Loss as it is now being called.

- e. Three Year Building and Grounds Plan (Sam): Board approved going to ownership for office building expansion. Board also approved the three-year building plan. Twelve projects on the list from committee. **Sam/Derrick will share the plan document with this committee this week.**
- f. 2024 Mid-Year Audit Update: Similar to 2022 "Agreed Upon Procedures Report" were presented by C. Koppenhaver. Two mid-year reviews were completed with 2023 less descriptive. **C. Koppenhaver requested Derrick to send costs for mid-year audit to committee following this meeting.** After discussion it was decided that based on current policy and the value of the mid-year review used in the budgeting process, we recommend the following to the Board for Mid-year Financial Review:
Motion: Motion made by C. Koppenhaver, seconded by S. Besase and passed unanimously as follows:
Similar to the 2022 mid-year audit, the B&F Committee recommends the Board approval that auditors perform an Agreed Upon Procedures engagement, and that they issue a written report based on that engagement. Procedures recommended to be included are as follows:
 - a. **Review bank reconciliations for appropriateness.**
 - b. **Track a selection of deposits, transfers, and disbursements to appropriate supporting documentation and review proper accounting treatment, including builder's clean site deposits and cash receipt procedures.**
 - c. **Determine that previous year proposed adjusting journal entries are appropriately recorded.**
- g. Annual Audit 2025 Contract: This committee has been talking for months how to be appropriately involved in a relationship with the auditors, we need to understanding of account adjustments done with audit for correct budgeting, including breaking out interest. Discussion regarding Board approved Budget & Finance Committee charter and policy and how to enact said policy was had. C. Koppenhaver will draft a memo for Committee for Tom D'Abrasca with committee motion forwarded to the Board. In addition, Sam Besase recommends this committee comprise a list of recommendations for 2024-year end audit. **C. Koppenhaver will create a and bring to the next committee meeting to formalize for auditors. R. Woodliff would forward copies of B&F Committee Policy, specifically 12.03.01-03..**
- h. 2023 Annual Audit: The Committee has addressed concerns that cash funds be kept in a safe place as we began to see regional banks fail. 2023 Audit noted they found \$679K as of 12/31/2023 in an account in excess of FDIC insured amount. We did not see or recognized that amount in our monthly financial reports. Derrick explained that auditor noted year end payments of annual assessment. Part of our Committee responsibility is to focus on that and develop a plan to handle the influx of funds to more quickly move those items into insured FDIC vehicles as they are coming in at time of assessments. Discussion of procedures to quickly move funds to FDIC vehicles as they are coming into CDRs or Sweep Accounts.
 - i. This committee recommends we develop a plan going forward with excess funds that can be quickly moved. This should be an agenda item at June's meeting. **Jenny will follow up with Auditors to get worksheets to see where this money was noted.**
 - ii. Defer 2024 Year end audit contract defer to June meeting and include recommendations from C. Koppenhaver with agenda. R. Woodliff to send Chapter 12 of 12.03 of RWA Policy that defines Committee Role and if and Audit Committee is included and include Derrick & Jenny for next meeting.
- i. Reserve Study Update: Question on protocol regarding Committee involvement with Reserve Study. Contract does not include B&F Committee. Draft 2024 Three Year Reserve Study was sent out by Sam Besase.

5. NEW BUSINESS:

- a. Salaries and Wages budget line-item discussion for 2025: Committee needs to be aware of recent FTE analysis and future needs given Board approval of Three Plan. Deed Restrictions and RMA seem to be strained and other departments too. A discussion with Derrick on staffing needs for 2025 at the committee level with the analysis that was done, we can make an educational projection and planning for future FTE. Another observation from 2023 Audit report was our year end report noted \$22K Overbudget but Audit Report noted an additional \$40K then year-end numbers so we were \$62K OB.
 - b. Board Updates: Good discussion on reserve study. The future of the reserve study if we continue to build out three-year plan, we will need to increase funding of reserve study over what we have been doing. We need to be aware to put excess contribution into reserve spending plans. Feels the Board's Education. Salaries & Wages have gone up 21% over last two years and \$60K overbudget just for 2023. The Board did provide bonuses to staff over the budget.
6. RWA BUDGET & FINANCE COMMITTEE INPUT: Meet and Greet want to know where the funds are going from 50/50 sales. They want to know if those funds are being set aside for Meet & Greet Committee. The funds are put into Designated Contribution and whenever they need to purchase items, Derrick will order. C. Koppenhaver will speak to Meet & Greet Committee Chair, recommend if they decide to keep the money, they keep records and report to Outreach Committee.
7. Adjourned at 11:00am. Being no further business the meeting was adjourned by Timothy Houghton.
8. Next Meeting Date – MONDAY, June 10, 2024 AT 9:30AM

Respectfully Submitted:

RoseAnne Woodliff, Secretary Budget & Finance Committee

TREASURER'S REPORT

04/01/2024 THRU 04/30/2024 (1/3RD OF THE YEAR)

1001 – CREWS Bank (8283) Checking-Opns	\$ 431,077.39
1002 – Centennial Bank – Transferred/Closed	\$.00
1003 - Petty Cash	\$ 200.00
1007 - CDARS Program - OPERATIONS	\$1,441,416.08
1008 - CDARS Program - Reserves - CAPITAL	\$ 723,812.13
1011 - Centennial Operating 2	\$ 337,380.72
1105 – Centennial Sweep–Reserves – 7343 OPERATIONS	\$ 173,506.33
1106 - CREWS Bank (3864) – BAR Reserves-CAPITAL	\$ 9,648.40
Total CASH as of 04/30/2024	\$3,117,041.05

2023 YTD INCOME:	ACTUAL	BUDGET	UNDER/OVER
2024 YTD Income	\$1,727.5K	\$1,707.8K	OVER BY ~\$20.3K

4111-ASSESSMENT INCOME at 99.98% of EOY 2023 budget	\$1,527,220.00
4120/4125/4150 INTEREST INCOME at ~52.3% of EOY 2024 budget	~\$40.9K
4200-ESTOPPEL YTD INCOME at ~35.2% of YTD 2024 budget	~\$53.0K
(Average 44.3 vs 42 per month = ~+9 cumulative.) 177/168	
4210-TRANSFER YTD INCOME at ~35.0% of YTD 2024 budget	~\$52.5K
(Average 44.2 vs 42 per month = ~+8 cumulative.) 176/168	
4300-FINING INCOME YTD at ~38.1% of EOY 2024 budget	~\$34.3K

2023 YTD EXPENSES:	ACTUAL	BUDGET	UNDER/OVER
6000 Line-Item Series	\$306.0K	\$421.9K	UNDER BY ~\$115.9K
7000 Line-Item Series	\$127.1K	\$186.0K	UNDER BY ~\$ 58.9K
8000 Line-Item Series	\$ 13.0K	\$ 14.7K	UNDER BY ~\$ 1.7K
2024 YTD Expenses	\$242.8K	\$299.5K	UNDER BY ~\$176.5K

Builders Deposits – New Construction	
1103 – Centennial 6065 Builders Clean Site Escrow	\$ 166,000.00
1104 – Centennial 6189 Clean Site MMA	\$ 57,601.03
Total CASH – Builders Deposits – New Construction	\$ 223,601.03*

*Translates to approximately 225 homes under construction in RWA. ~2.8%

Respectfully - Sam Besase – RWA Treasurer – May 05, 2024

ROTONDA WEST ASSOCIATION, INC.
TREASURER'S REPORT – SUMMARY

04/01/2024 THRU 04/30/2024

- APPROXIMATELY ~95.22% OF PROPERTIES HAVE PAID 2024 ASSESSMENTS.
- ~7,656 have paid = ~95.22% ~384 ACCOUNTS ARE DELINQUENT = ~4.78%
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- APPROX 80 PROPERTIES ARE IN LIEN/FORECLOSURE PROCESS = ~9.95%
- ~11 L; ~5 NOIL; ~13 NOIFL; ~3 MF; ~6 L/F; ~19 DL; ~17 PP; ~7 IP; ~3 B = ~84
- Note that some properties are in duplicate categories.
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- Latest CDAR interest rates are ~5.10%. (vs 0.17% in 2022)
- Higher interest rates translate to ~\$3.0K income per week ~\$150K a year
- FED meeting on 05/01/24 – did not raise or lower interest rates.
- Next FED RESERVE meetings are June/July/Sep/Nov/Dec.
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- CARRY OVER – EXCESS FUNDS (Net Income) as of 04/30/24 is: \$1,234,569.82
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- 1/3rd THRU 2024 – RWA budget continues to be in excellent financial shape!!!!
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- RWA INCOME IS ~83.5% OF THE RWA END OF YEAR BUDGET - 1/3rd OF THE YEAR.
- RWA EXPENSE IS ~24.1% OF THE RWA END OF YEAR BUDGET - 1/3rd OF THE YEAR.

*Stolen checks issue RESOLVED-2023 Annual Audit DRAFT-3-Year Reserve Study DRAFT

**TIONA SINGLETARY #18459-\$39K CHECK WHITEWASH FRAUD SCHEME-CCSO/FBI/CENTENNIAL

RESPECTFULLY, SAM BESASE - RWA TREASURER, MAY 05, 2024