

# VALHALLA FIFTEEN ASSOCIATION - BOARD OF DIRECTORS BUDGET MEETINGS

## MINUTES

### 2023 Budget Meetings April 22, 2023/ April 28, 2023/ May 1, 2023/ June 4, 2023

**Valhalla Fifteen Association Board of Directors in attendance.** Jill Bailey President/Treasurer; Danette Anderson Vice President; Linda Castiglioni Secretary; Kay Aune; Kevin Castiglioni; Pam Burton

Pam Burton (absent on April 22<sup>nd</sup> and April 28, 2023 meetings).  
May 1, 2023, and June 4, 2023 meetings – All directors were present.

Valhalla Fifteen Association Board of Directors met on the above dates to discuss Valhalla Fifteen Association's 2023 Budget. Several drafts of the budget were presented and reviewed by the board over four meetings. The Board reviewed the proposed operating and reserve budget line items and proposed budgets as prepared and presented by Linda Castiglioni and Jill Bailey.

1) **April 22, 2023 meeting:** Summary: The Board reviewed the 2020 and 2021 Valhalla accounting audit reports for all associations within Valhalla Complex. Significant accounting variances were noted in these audit reports, including but not limited to, standard accounting practices are not routinely employed, employing non-standard accounting practices, co-mingling of operating funds and reserve funds within and between associations, Valhalla Fifteen Association funds being used for other association's operating and reserve expenses, reserve monies in operating accounts, etc.

Proposed 2023 Valhalla Fifteen Association 2023 budget reviewed, reviewed capital reserve studies for Valhalla Fifteen Association and Valhalla Management Association. Board reviewed the proposed operating and reserve budget line items and total proposed budget. To do: Follow-up with Valhalla Management Association on questions.

2) **April 28, 2023 meeting:** Summary: Discussed proposed Valhalla Fifteen Association's 2023 budget and reviewed capital reserve study. Board reviewed the proposed budget line items and total proposed budget. Reviewed each line item on the proposed 2023 budget. Reviewed actual expenses for 2021 and 2022 as compared to budgets in those same years.

In March 2022, a Special Assessment (\$101K) was implemented to fund the Building Interior Refresh project. Capital Reserve monies were collected from owners through this Special Assessment (\$101K for Interior Project – new flooring, paint, lighting, etc). Special Assessment payments were due from all owners on June 30, 2022, September 30, 2022, December 31, 2022 and March 31, 2023. The total Special Assessment was paid in full effective April 2023.

The reserve monies were not correctly deposited into Valhalla Fifteen Association's Reserve bank account per Minnesota law 515B.3-1141 in from March 2022 through April 21, 2023. Instead, these reserve monies were deposited into the VMA's operating account and/or Valhalla Fifteen Association's operating account. Cash/operating account balance as of 03-31-23 was \$162,759.39 and reserve account balance as of 03-31-23 was \$135,741.13.

Discussed the transfer of \$125,000 from Valhalla Fifteen Association's cash operating account into Valhalla Fifteen Associations' reserve (capital) account on April 21, 2023.

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Valhalla Fifteen Association's Reserve account is a money market account and earns interest. Discussed opening a second Reserve account to ensure Valhalla Fifteen Association monies are covered under the FDIC up to \$250,000. This is a risk management decision for Valhalla Fifteen Association to open another interest-bearing money market account for Reserve money. A motion was made and seconded to open an additional Reserve Account(s) for Valhalla Fifteen Association. Discussion. Motion carried. To do: Follow-up with Valhalla Management Association on questions.

3) **May 1, 2023 meeting:** Summary: Discussed proposed 2023 budget, reviewed capital reserve study. Board reviewed each line item on the proposed 2023 budget. Board reviewed the proposed budget line items and total proposed budget. To do: Follow-up with Valhalla Management Association on questions.

4) **June 4, 2023 meeting:** Summary: Board reviewed the proposed budget line items and total proposed budget as presented. Discussed the following changes on the proposed budget. Reviewed revised 2023 budget with separate lines for annual reserve item, depreciation reserve expenses and Annual Assessment (paid monthly) increase.

Per 2022 Minnesota Statutes 515B.3-1141 Replacement Reserves; paragraph (a) *"The association shall include in its annual budget replacement reserves projected by the board to be adequate, together with past and future contributions to replacement reserves, to fund the replacement of those components of the common interest community which the association is obligated to replace by reason of ordinary wear and tear or obsolescence, subject to the following:....."*

Account category 7200 Reserve account shall be moved below the operating expense lines on the budget as per 2022 Minnesota Statutes 515B.3-1141 Replacement Reserves; paragraph (3) *"The association shall keep the replacement reserves in an account or accounts separate from the association's operating expenses, provided that this restriction shall not affect the association's authority to pledge the replacement reserves as security for a loan to the association."* (**Attached - 2022 Minnesota Statutes 515B.3-1141 Replacement Reserves**).

Add Account Category for Depreciation for 2023 budget. Painting/Electrical/other capital expenses occurred in 2022. Future state for annual budgets shall include an Account Category for Depreciation expenses for capital projects based on Generally Accepted Accounting Principles (GAAP). GAAP is a set of standards and rules for the accounting profession. GAAP aims to improve the clarity, consistent, and comparability of the communication of finance information. Adoption of GAAP was recommended on previous annual VMA accounting audits by an independent licensed CPA as required by MN law.

A motion was made and seconded to accept an approximate 9.57% increase in the Annual assessment (paid monthly) for all 60 units as stated in Valhalla Fifteen Association Budget document attached.

The increase with the Annual Assessment (paid monthly) is necessary to ensure the association has adequate Reserves for future capital expenses. These additional funds will be deposited into the Valhalla Fifteen Association's Reserve Account.

Total Operating Budget approved = \$307,591

Total Reserve Budget approved = \$41,601

# **VALHALLA FIFTEEN ASSOCIATION - BOARD OF DIRECTORS BUDGET MEETINGS**

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### **2023 Budget Meetings April 22, 2023/ April 28, 2023/ May 1, 2023/ June 4, 2023**

All owners will pay the following per month to Valhalla Fifteen Association.

20 Units: 1.8% Units = Total \$523.79/mo; includes increase of \$45.74/mo

40 Units: 1.6% Units = Total \$465.59/mo; includes increase of \$40.66/mo

Discussion followed. Motion carried.

#### **Attachments:**

Valhalla Fifteen Association 2023 Approved Budget

2022 Minnesota Statutes: 515B.3-1141 Replacement Reserves

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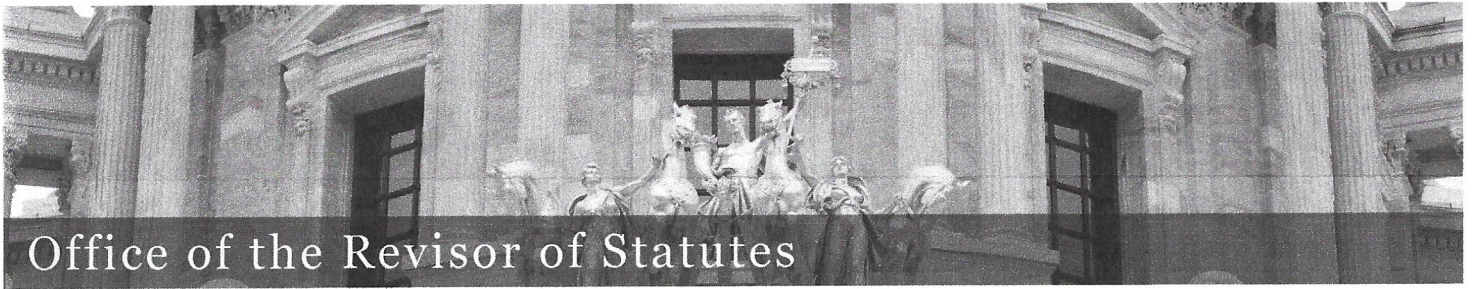
*Minutes respectfully submitted: Linda Castiglioni, Secretary*

*Minutes reviewed by V15 board members K.Aune, J.Bailey, D.Anderson; recommended edits submitted:  
Danette Anderson, Acting Secretary*



	A	B	C	D	E	F	G	H	I
68									
69	<b>Valhalla Association Fifteen</b>								
70	<b>2023 Annual Budget</b>								
71									
72		10% Total Reserve Required per Reserve Study 2023. Includes Valhalla			\$100,320				
73		Approved Building Refresh Project (flooring, baseboards, stairwell remodel, dumpster, port-a-potty, furniture, etc)			\$160,000				
74		<b>Total Reserved Required</b>			<b>\$260,320</b>				
75									
76		Reserve Money Market Account Balance (Interest earning account 3.18% as of 5/31/2023). May only be used for capital projects listed on the Reserve sheet and other infrastructure projects as required to maintain the integrity of the building. Notation: Additional Reserve bank accounts will be opened to stay under the \$250,000 FDIC limits to ensure Valhalla Fifteen's money is secured and available when needed.		5/31/2023	\$261,844				
77		Cash (Operating) Checking Account Balance: Goal is to keep approximately two (2) months operating expenses as cash. All payments from Valhalla Fifteen owners are paid into this account. Withdrawals will be to VMA's shared checking account for Valhalla Fifteen's monthly operating expenses and Valhalla Fifteen's Reserve account.		5/31/2023	\$44,487				
78		<b>Total Cash &amp; Reserve Balances</b>		5/31/2023	<b>\$306,331</b>				
79									
80									
81									
					<b>2023 Monthly HOA: Total Revenues (Income) Required for 2023</b>				
82		<i># of units</i>	<i>Ownership %</i>	<i>2022 HOA</i>		<i>Difference Yr over Yr</i>	<i>% Increase</i>		
83		20	1.80%	\$478.05	\$523.79	\$45.74	9.57%		
84		40	1.60%	\$424.93	\$465.59	\$40.66	9.57%		
85		60		\$318,698	\$349,192	\$30,493.79	9.57%		
86									
87									
88					<b>Breakdown of Revenue Categories: Operating and Reserve Revenues Required</b>				
89					<b>2023 Total Yearly \$'s operating expenses only</b>	<b>Monthly \$'s towards operating expenses only</b>	<b>Estimated total monthly \$'s operating expenses</b>		
90		20 Units	1.80%		\$5,536.64	\$461.39	\$ 9,227.74		
91		40 Units	1.60%		\$4,921.46	\$410.12	\$ 16,404.87		
92					\$307,591.29		\$ 25,632.61		
93									
94					<b>2023 Total Yearly \$'s Reserve Required for "Capital Projects"</b>	<b>Monthly \$'s towards Yearly Reserve Required only</b>	<b>Total Monthly \$'s Transfer into Reserve Account</b>		
95		20 Units	1.80%		\$748.82	\$62.40	\$ 1,248.03		
96		40 Units	1.60%		\$665.61	\$55.47	\$ 2,218.71		
97					\$41,600.90		\$ 3,466.74		
98									
99									
100		<b>Total Revenues Required</b>							
101		<b>Total Operating Expenses: Valhalla Fifteen and Valhalla Shared Expenses</b>							
102		<b>Total Yearly Reserves Required</b>							
103									
104		1) Valhalla Fifteen Association: Amended and Restated Declaration: page 10; Section 6.2 Annual Assessments. Annual assessments shall be established and levied by the Board, subject only to the limitations set forth hereafter. Each annual assessment shall cover the anticipated Common Expenses of the Association for the year. Annual assessments shall be payable in equal monthly installments. Annual assessments shall provide, among other things, for an adequate reserve fund for the replacement of the Common Elements and those parts of the Units for which the Association is responsible to replace.							
105									
106		2) Valhalla Fifteen is required to have two (2) months' operating expenses in Valhalla Management Association (VMA) shared checking account (\$51,265). These dollars are in addition to the above \$'s in Valhalla Fifteen's own bank accounts. This required amount is less than what was originally transferred to the VMA shared checking account on 2/28/2022 (\$53,318.83).							
107							\$51,265		






# Office of the Revisor of Statutes

## Office of the Revisor of Statutes

### 2022 Minnesota Statutes

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#### **515B.3-1141 REPLACEMENT RESERVES.**

(a) The association shall include in its annual budgets replacement reserves projected by the board to be adequate, together with past and future contributions to replacement reserves, to fund the replacement of those components of the common interest community which the association is obligated to replace by reason of ordinary wear and tear or obsolescence, subject to the following:

(1) The amount annually budgeted for replacement reserves shall be adequate, together with past and future contributions to replacement reserves, to replace the components as determined based upon the estimated remaining useful life of each component; provided that portions of replacement reserves need not be segregated for the replacement of specific components.

(2) Unless otherwise required by the declaration, annual budgets need not include reserves for the replacement of (i) components that a remaining useful life of more than 30 years, or (ii) components whose replacement will be funded by assessments authorized under section [515B.3-1151\(e\)\(1\)](#), or approved in compliance with clause (5).

(3) The association shall keep the replacement reserves in an account or accounts separate from the association's operating funds, and shall not use or borrow from the replacement reserves to fund the association's operating expenses, provided that this restriction shall not affect the association's authority to pledge the replacement reserves as security for a loan to the association.

(4) The association shall reevaluate the adequacy of its budgeted replacement reserves at least every third year after the recording of the declaration creating the common interest community.

(5) Unless otherwise required by the declaration, after the termination of the period of declarant control, and subject to approval by (i) the board, and (ii) unit owners, other than the declarant or its affiliates, of units to which 51 percent of the votes in the association are allocated, the association need not annually assess for replacement reserves to replace those components whose replacement is planned to be paid for by special assessments, if the declaration authorizes special assessments, or by assessments levied under section [515B.3-1151\(e\)\(2\)](#). The approval provided for in the preceding sentence shall be effective for no more than the association's current and three following fiscal years, subject to modification or renewal by the same approval standards.

(6) Unless otherwise required by the declaration, subsection (a) shall not apply to a common interest community which is restricted to nonresidential use.

(b) Unless the declaration provides otherwise, any surplus funds that the association has remaining after payment of or provision for common expenses and reserves shall be (i) credited to the unit owners to reduce their future common expense assessments or (ii) credited to reserves, or any combination thereof, as determined by the board of directors.

(c) This section applies to common interest communities only for their fiscal years commencing on or after January 1, 2012.

**History:** [2011 c 116 art 2 s 15](#)

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