

Report Of
Finance Committee

September 9th
Valhalla Party Room
4 PM

In attendance were Wayne Jasperson- Chair, Carol Sabatke, Jan Kauphusman, Skye Davis, Sam Giefer, Admin. Assistant, Dan Bredesen, Maintenance Supervisor, and Stacy Wilhelm, General Manager.

Monthly Financial Review- August- The committee reviewed August's consolidated financial reports. The following was noted:

- *Building Upkeep-* was high due to building 12's payments for caulking and investigation regarding the building's water intrusion. Also, building 15 had payments for lighting and repairs from a water leak.
- The garbage account is reflecting no payment, this is due to the timing of their invoices and we are anticipating a double payment in October.

Building reserves with limited common detail- The committee members were given copies of their updated Building's Reserves for 2021. It was furthered, that buildings 1-11 will see the added detail of windows, balconies, and garages. This detail calculates the replacement cost by the date the line item was last replaced. If the date is unknown the line item is required to be fully funded and the date of 1995 was entered.

Common Building & Equipment Reserves Review- The committee reviewed the common equipment and recreational building's 2020 reserves. Of note, the titles of the John Deere, and Caterpillar Skid Steer was updated. Additionally, the cost of the Skid Steer was increased to \$45,000, from \$40,000. Also, the outdoor pool fence & gate was increased to \$44,000 from \$34,000. The committee recommends the approval of the reserve worksheets. Please see attached.

Audit vs Review: Budgeting 2021- The committee was informed that 2019's audit is nearly completed and will be the second year of the approved three-year audit plan. It was furthered that current MN state statutes require a review annually. While Valhalla has chosen to do an audit in hopes of a more thorough review the cost is higher. The committee discussed the differences between an audit and a review and the costs associated with both. Through discussion with our auditors this year, they have stated we could drop down to a review and save \$2,000. Following the discussion, the committee supports budgeting for a review in 2021's budget and saving the \$2,000. However, should 2019's audit raise any concerns following the firm's audit presentation; *anticipated presentation to the Master Board during October's Meeting*; a full audit will be planned and budgeted for in 2021. See attached Audit vs Review.

Association Checking Accounts and Accounting Concerns- The committee discussed Valhalla's current software, state requirements, and legal recommendations for compliance. During this discussion, it was noted that Valhalla's current software does not allow for accrual accounting as required by state law. It was also discussed that each association will need to have their own checking account. Currently, each association has its own reserve account and a shared checking account. Our software, Propertyware, separates the general account into each building's sub-ledger allowing the office to process checks through the shared checking account.

It was agreed that with these major changes (addition of each association's checking account, changing to accrual accounting, and a possible software change) a professional accounting firm's expertise would be needed to ensure these changes are done correctly and efficiently. It was further noted that a new auditing firm will be sought in 2022 and the new firm will potentially be assisting with these implementations.

With nothing further to discuss, the meeting was adjured at 4:48 PM.

The Finance Committee proposes the following motions be made at the next Master Board meeting:

1. Approve the attached common equipment and recreational building's 2020 reserves.
2. The committee recommends scaling down and budgeting for a Review, unless the auditors raise concerns, then a full audit will be scheduled and budgeted in the 2021 budget.

Respectfully,

Stacy Wilhelm

2020 REPLACEMENT RESERVE WORKSHEET

VALHALLA RECREATION BUILDING

ITEM	YEAR PURCHASED	COST	LIFETIME YEARS	REMAINING LIFE-YEARS	ANNUAL RESERVE	RESERVE REQUIRED	
1	PITCHED ROOF & MANSARD ROOF	2009	18,000	30	19	600	6,600
2	FLAT ROOF (800 SQ FT)	2009	18,000	20	9	900	9,900
3	MECHANICAL ABOVE POOL/DEHUMID/HT/C	2008	85,000	30	18	2,833	34,000
4	PARTY ROOM HEAT/COOL	2008	6,000	15	3	400	4,800
5	EXERCISE ROOM HEAT/COOL	2001	6,000	15	0	0	6,000
6	FRONT UTILITY HEAT/COOL	2017	6,000	15	12	400	1,200
7	MEN'S DRESSING ROOM/SAUNA	1998	10,000	15	0	0	10,000
8	WOMEN'S DRESSING ROOM/SAUNA	2004	10,000	15	0	0	10,000
9	EXERCISE EQUIPMENT & ROOM	2008	15,000	10	0	0	15,000
10	PARTY ROOM	2011	20,000	15	6	1,333	12,000
11	STUCCO SEAL & PAINT (ext.)	1987	14,000	30	0	0	14,000
12	COMMON AREA GLASS	2008	50,000	30	18	1,667	20,000
13	INDOOR POOL GLASS	2001	47,250	40	21	1,181	22,444
14	CEMENT	1998	67,000	25	3	2,680	58,960
15	MAINTENANCE GARAGE	1990	94,500	100	70	945	28,350
16	INTERIOR PAINT OF INDOOR POOL ROOM	2009	10,500	10	0	0	10,500
17	OUTDOOR POOL FENCE & GATES	2020	44,000	30	30	1,467	0
18	PARKING LOT RETAINING WALL	1990	15,000	28	0	0	15,000
19	OFFICE RETAINING WALL	1996	25,000	20	0	0	25,000
20	OUTDOOR POOL RETAINING WALL	2003	17,500	30	13	583	9,917
21	<i>PARKING LOT SEAL COAT</i>	<i>2009</i>	<i>5,000</i>	<i>5</i>	<i>0</i>	<i>0</i>	<i>0</i>
22	<i>PARKING LOT OVERLAY</i>	<i>2006</i>	<i>38,000</i>	<i>12</i>	<i>0</i>	<i>0</i>	<i>0</i>
23	INDOOR POOL-Refurb	1996	20,000	21	0	0	20,000
24	OUTDOOR POOL- Refurb	2009	70,000	10	1	7,000	63,000
25	POOL ACCESS READER SYSTEM	2013	8,500	7	0	0	8,500
26	SECURITY SURVEILLANCE CAMERAS	2015	5,000	5	0	0	5,000

TOTALS	725,250	RESERVE REQUIREMENTS \$	21,990	\$	410,170
		COST PER UNIT \$	57.56	\$	1,074
		<i>2020'S COST FOR 18 UNITS PER YEAR</i>	<i>\$</i>	<i>1,036</i>	<i>\$</i>
		<i>2020'S COST FOR 24 UNITS PER YEAR</i>	<i>\$</i>	<i>1,382</i>	<i>\$</i>
		<i>2020'S COST FOR 30 UNITS PER YEAR</i>	<i>\$</i>	<i>1,727</i>	<i>\$</i>
		<i>2020'S COST FOR 60 UNITS PER YEAR</i>	<i>\$</i>	<i>3,454</i>	<i>\$</i>
		<i>2020'S COST FOR 64 UNITS PER YEAR</i>	<i>\$</i>	<i>3,684</i>	<i>\$</i>

2020 REPLACEMENT RESERVE WORKSHEET
VALHALLA COMMON EQUIPMENT

ITEM	YEAR PURCHASED	COST	LIFETIME YEARS	REMAINING LIFE-YEARS	ANNUAL RESERVE	RESERVE REQUIRED
1 X739 J. DEERE TRACTOR & EQUIP.	2019	20,000	12	11	1,667	1,667
2 CATERPILLAR- SKID STEER LOADER	2019	45,000	20	19	2,250	2,250
3 SANDER	2011	6,000	20	11	300	2,700
4 PLOW	2012	7,000	15	7	467	3,733
5 TORO MOWER MODEL GTS	1999	578	5	0	0	578
6 ARIENS SNOWBLOWER	2016	1,300	5	1	260	1,040
7 ARIENS SNOWSWEEPER	2018	5,000	5	3	1,000	2,000
8 POULAN SNOWBLOWER	2013	450	5	0	0	450
9 FORD RANGER 2009 PICKUP TRUCK	2015	10,000	10	5	1,000	5,000
10 CHEVY COLORADO 2010 PICKUP TRUCK	2009	20,000	12	1	1,667	18,333
11 CHEVY 3500 PLOW TRUCK	2012	35,000	12	4	2,917	23,333
12 4 COMPUTERS	2018	9,000	5	3	1,800	3,600
13 OFFICE PHONE SYSTEM	2016	4,500	7	3	643	2,571
TOTALS		163,828		RESERVE REQUIREMENTS	\$ 13,970	\$ 67,256
				COST PER UNIT	\$ 36.57	\$ 176.06
				2020'S COST FOR 18 UNITS PER YEAR	\$ 658	\$ 3,169
				2020'S COST FOR 24 UNITS PER YEAR	\$ 878	\$ 4,225.51
				2020'S COST FOR 30 UNITS PER YEAR	\$ 1,097	\$ 5,282
				2020'S COST FOR 60 UNITS PER YEAR	\$ 2,194	\$ 10,564
				2020'S COST FOR 64 UNITS PER YEAR	\$ 2,340	\$ 11,268

Audit vs Review

Master Board Approved 3-year plan April 2018

Audit. An audit provides assurance that an organization's financial statements are free of material misstatement and are fairly presented based upon the application of generally accepted accounting principles.

An audit includes:

- *confirmation with outside parties
- *testing selected transactions by examining supporting documents
- *completing physical inspections and observations
- *considering and evaluating the internal control system of the organization

Review. A review provides a "does it make sense" analysis and is useful when the organization needs some assurance about their financial statements, but not the higher level of assurance provided by an audit.