VALHALLA FIFTEEN ASSOCIATION - BOARD OF DIRECTORS BUDGET MEETINGS

MINUTES

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

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

Pam Burton (absent on April 22nd 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) <u>April 28, 2023 meeting</u>: 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) <u>May 1, 2023 meeting</u>: 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 <u>Operating</u> Budget approved = \$307,591 Total <u>Reserve</u> 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:

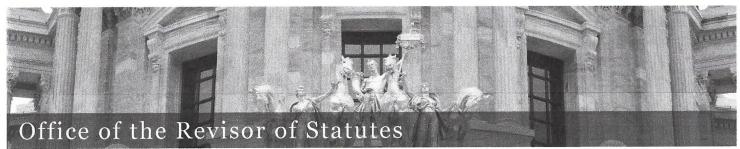
Valhalla Fifteen Association 2023 Approved Budget

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

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

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<u> </u>	2022.4	10.1.1.0000							
2	2023 Annu	al Budget - June 2023							
3			2021 Budget	2021 Actual	2022 Budget	2022 Actual	2023 Budget		
		Valhalla Fifteen Association Income							
4	4010	(Revenues)	\$318,698	\$319,591	\$318,698	\$319,118	\$347,839	9%	
		Garage Rentals - (Transfer \$'s collected to							
5	4015	Reserve Account for future capital projects)	\$1,920	\$1,855	\$1,920	\$626	\$1,920	0%	
6		Reserved Parking: NA		. ,	. ,	· · ·			
7		Coin-Op: NA							
8	4000	Total Revenues (Income)	\$320,618	\$321,446	\$320,618	\$319,744	\$349,759	9%	
9		Total Revenues (income)	3320,018	7321,440	7320,018	3313,744	7343,733	370	
		ifteen Association Direct Expenses							
11	5015	Building upkeep	\$24,000	\$19,254	\$24,000	\$14,886	\$24,000	0%	
12	5020	Supplies and Services	\$9,000	\$6,305	\$9,000	\$6,150	\$9,000	0%	
13	5025	Building equipment	\$7,000	\$18,924	\$7,000	\$6,479	\$7,000	0%	
14	5030	Garbage Removal	\$17,303	\$18,338	\$18,348	\$22,921	\$11,780	-36%	
15		Parking Lot	\$150	\$425	\$150	\$152	\$200	33%	
16		Caretaker Supplies	\$200	\$322	\$200	\$625	\$650	225%	
17		Grounds	\$20,000	\$29,836	\$20,000	\$40,171	\$20,000	0%	
18		Snow	\$1,200	\$769	\$1,200	\$1,785	\$1,200	0%	
19									
		Garages	\$750	\$83	\$750	\$1,356	\$1,000	33%	
20		Supplies (grounds)	\$200	\$0	\$200	\$0	\$200	0%	
21		Misc. Building Expense	\$1,000	\$1,693	\$1,000	\$140	\$1,000	0%	
22		Electric	\$9,200	\$10,207	\$9,430	\$9,608	\$10,100	7%	
23	5415	Gas	\$6,600	\$3,295	\$6,857	\$6,811	\$7,200	5%	
24	5420	Water	\$3,600	\$3,928	\$3,690	\$3,301	\$3,800	3%	
25	5425	Sewer	\$12,500	\$14,765	\$12,813	\$12,470	\$13,500	5%	
26	5430	Storm Water Fees	\$1,900	\$2,036	\$1,948	\$1,823	\$2,100	8%	
27		Utility Tax	\$750	\$829	\$750	\$789	\$900	20%	
28		2 7 . 2	7.22	7	7.00	7.00	,,,,,		
20	Valhalla (Complex Shared Expenses: Amounts are							
		ct expenses for Valhalla Fifteen =							
		ately 15.7% of the overall shared							
29	expenses.								
30	5500	Rec Expenses	\$393	\$415	\$408	\$869	\$565	38%	
31	5510	Electric	\$2,906	\$2,609	\$2,403	\$2,968	\$3,141	31%	
32	5515	Gas	\$1,257	\$833	\$1,257	\$1,428	\$1,414	13%	
33	5520	Water	\$259	\$280	\$267	\$237	\$267	0%	
34		Sewer	\$628	\$750	\$738	\$593	\$707	-4%	
35		Storm Water Fees	\$267	\$289	\$283	\$267	\$283	0%	
36		Utility Tax	\$267	\$212	\$204	\$241	\$267	31%	
37		Indoor Pool	\$471	\$230	\$393	\$466	\$2,042	420%	
38		Outdoor Pool	\$1,178	\$1,721	\$1,571	\$1,780	\$3,298	110%	
39									
		Party Room	\$63	\$3	\$63	\$0	\$63	0%	
40		Exercise Room	\$188	\$5	\$79	\$5	\$314	300%	
41		Maint. Equip Repair/Replacmt	\$330	\$564	\$424	\$523	\$550	30%	
42		Supplies (rec)	\$188	\$460	\$393	\$297	\$393	0%	
43	5610	Accounting	\$1,571	\$1,740	\$1,806	\$1,375	\$1,885	4%	
44	5615	Legal	\$393	\$6,502	\$1,571	\$7,747	\$3,141	100%	
45	6110	Bank Fees	\$393	\$337	\$393	\$119	\$393	0%	
46	6115	Payroll	\$58,271	\$58,283	\$64,825	\$59,189	\$69,723	8%	
47		Payroll Overhead	\$26,509	\$23,661	\$28,781	\$21,423	\$30,601	6%	
48		Disability/life/SEP	\$5,748	\$3,269	\$5,759	\$4,787	\$6,442	12%	
49		HOA Blanket Ins/Fidelity bond	\$18,063	\$16,301	\$19,634	\$22,088	\$23,560	20%	
50		Vehicle Expenses	\$18,063	\$16,301	\$19,634	\$22,088	\$23,360	0%	
51		Office Expenses	\$1,021	\$1,553	\$1,099	\$1,433	\$4,712	329%	
52		Contracted Office Support/Serv	\$1,021	\$1,942	\$1,021	\$1,760	\$1,571	54%	
53		Office Equipment	\$118	\$523	\$236	\$125	\$236		
54		Intercom/Security/Office Phone	\$2,159	\$3,276	\$2,191	\$3,288	\$4,075	86%	
55	6170	Phones: Cell/Tablet	\$264	\$240	\$217	\$256	\$267	23%	
56	6175	Bulk TV/Internet Service	\$31,775	\$31,870	\$33,046	\$32,995	\$32,403	-2%	
57	6180	Misc expenses for MB	\$314	\$478	\$393	\$510	\$393	0%	
58	6190	Uniforms	\$314	\$283	\$314	\$200	\$314	0%	
П		erating Expenses: Valhalla Fifteen & Complex		,	,				
59		shared operating expenses	\$272,624	\$290,111	\$288,044	\$297,234	\$307,591	7%	
60		or operating expenses	y_,_,024	,	4200,044	Ÿ=5.,±54	400.,001	. 70	
H		Valhalla Fifteen Association Reserve							
61	7200	Requirement Expense	647.000	642 220	634.070	¢60.460	624.704	00/	
	/200		<u>\$47,996</u>	\$42,328	<u>\$31,870</u>	\$68,169	\$34,784	9%	
62		Depreciation Expense Reserve Requirement					\$6,817		
63	To	tal Yearly Reserves Required: Valhalla Fifteen					<u>\$41,601</u>		
64									
65									
66	Total	Revenues (Income) Required: Valhalla Fifteen	\$320,620	\$332,438	\$319,914	<u>\$365,403</u>	\$349,192	9%	
67									

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68		b .	Ç	D		,	0		'
69	Valhalla	a Association Fifteen							
70	2023 Annı	ual Budget							
71									
72		10% Total Reserve Required per Reserve Study	2023. Includes Valhalla		\$100,320				
		Approved Building Refresh Project (flooring, ba	seboards, stairwell						
73		remodel, dumpster, port-a-potty, furniture, etc)		\$160,000				
74			Total Reserv	ed Required	\$260,320				
75				· · · · · · · · · · · · · · · · · · ·					
		Reserve Money Market Account Balance (Intere	est 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.							
76		Threen's money is secured and available when necued.		5/31/2023	\$261,844				
70		Cash (Operating) Checking Account Balance: Goal is to keep		3/31/2023	\$201,044				
		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							
		be to VMA's shared checking account for Valha							
		operating expenses and Valhalla Fifteen's Reser	ve account.						
77				5/31/2023	\$44,487				
78		Total Cash	& Reserve Balances	5/31/2023	\$306,331				
79					•				
80					•				
81									
					2023 Monthly HOA:				
					Total Revenues				
					(Income) Required				
82		# of units	Ownership %	2022 HOA		Difference Yr over Yr	% Increase		
83									
		20	1.80%	\$478.05	\$523.79	\$45.74	9.57%		
84		<u>40</u>	<u>1.60%</u>	\$424.93	<u>\$465.59</u>	\$40.66	9.57%		
85		60		\$318,698	\$349,192	\$30,493.79	9.57%		
86									
87									
88					Breakdown of Revenu	ie Categories: Operati		evenues Re	<u>quired</u>
					2023 Total Yearly \$'s	Monthly \$'s towards	Estimated total		
					operating expenses	operating expenses	monthly \$'s		
					only	only	operating		
89						· ·	expenses		
90		20 Units	1.80%		\$5,536.64	\$461.39			
91		40 Units	1.60%		\$4,921.46	\$410.12			
92					\$307,591.29		\$ 25,632.61		
93									
					2023 Total Yearly \$'s	Monthly \$'s towards	Total Monthly \$'s		
					Reserve Required for	Yearly Reserve	Transfer into		
94					"Capital Projects"	Required only	Reserve Account		
95		20 Units	1.80%		\$748.82	\$62.40			
96		40 Units	1.60%		\$665.61	\$55.47			
97					\$41,600.90	1	\$ 3,466.74		
98									
99									
100		Total Revenues Requir							
		Total Operating Expenses: Valhalla Fiftee	n and Valhalla Shared						
101		Expenses							
102		Total Yearly Reserves Rec	uired						
103									
104		1) Valhalla Fifteen Association: Amended and	Restated Declaration: page	10; Section 6.2 Ar	inual Assessments. Annu	ial assessments shall be e	stablished and levie	d by the	
105		Board, subject only to the limitations set forth							
					•	-	•		
106		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.							
100									
		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 lifeten's own bank accounts. This required amount is less than \$51,265							
107		what was orignially transferred to the VMA sha	red checking account on 2/2	28/2022 (\$53,318	.83).				



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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

Official Publication of the State of Minnesota Revisor of Statutes