

Treasurer's Report: Tony Mailhot

Financial Status of the Association

The balances in our accounts at First Citizen's Bank as of January 31, 2015 were:

First Citizen's Checking Account	\$ 3,510.84
First Citizen's Savings Account	5,010.88
First Citizen's 6 Month CD Maturing	30,082.54
First Citizen's Reserve Savings	30,023.49
Total account Balances January 31, 2015	<u>\$68,627.75</u>

The Balance Sheet and Statement of Revenue and Expenses accompany this report. The Statement of Revenue and Expenses reports the current fiscal year to date actual revenue and expenses compared to the year to date budgeted amounts, as well as the annual budgeted figures for comparison. Significant variances of the budget to actual amounts are:

Balance Sheet

- Cash in the Association operating accounts is projected at \$36,216 at the end of the fiscal year (March 31, 2015).
- Cash in the Association Reserve Account is projected at \$30,025 at the end of the fiscal year. The Association was able to add \$10,000 to its reserve fund for future replacements.
- Accounts receivable for past due assessments consists of:

Misty Duncan	198.50
Frank Meza	373.33
Bank of Mellon, New York (Rubidoux House)	2,737.18
Bank of America (Whitesell House)	2,737.18
Total Accounts Receivable	<u>\$ 6,046.19</u>

- Misty Duncan's final payment is scheduled for February, 2015.
- A collection letter was sent to Frank Meza on January 16, 2015. He moved and changed his address. We were not aware of the change until recently.
- The Association has been in contact with the loan servicing agent regarding the outstanding assessments, interest and fees on the Roubidoux house (3922 Hillview Court). The last communication was an e-mail sent to Prominent Escrow on February 6, 2015 responding to their request for a final payoff amount. If full payment is made, it is only because your Board refused to cave to the servicing agent's demand that we write off the balance due.
- The loan servicing agent for Bank of American filed a foreclosure complaint on the Whitesell property on November 14, 2014 (3729 Goldcrest Heights). The Association's attorney filed a response to the complaint so as to preserve our position in the foreclosure process. The Association might not see any money from Bank of America, or there might be a negotiated settlement.

- Accounts payable for recurring monthly invoices as of January 31, 2015 are:

Vista Accounting Services	\$ 511.00
Henderson Law Group, PLLC	504.00
Pete Lindemann	31.05
Sage Landscaping	2,230.40
Total Accounts Payable	<u>\$3,276.45</u>

Statement of Revenue and Expenses

- Total Revenue from assessments, interest, fees, etc is \$1,113 more than budget through the end of January 2015.
- The Association hired tree removal companies to trim and take down trees that were in a dangerous position resulting in additional maintenance expenses. A total of \$9,095 was spent with only \$3,000 budgeted. The remainder of the cost was covered by savings.
- \$3,000 of storm damage cleanup was planned for the winter, which so far this year, has not been necessary.
- \$2,212 was spent on removal of moss from the sidewalk and pathway. This expenditure was not budgeted, but it became necessary when wet, fall weather made the sidewalks dangerous. The cost was covered by savings.
- Tree and shrub planting in areas cleaned up amounted to \$2,294, \$1,000 more than budgets. The extra funds were paid out of savings.

Financial Statement Audit

The Goldcrest Homeowners Association financial statements were subjected to an audit by the accounting firm of Aiken & Sanders, Inc PS. The auditor's report stated:

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goldcrest Homeowners Association as of March 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A copy of the audited financial statement along with the auditors report is available upon request. Send an e-mail to Tony Mailhot, your Treasurer, at kjmail7@comcast.net and he will send you a copy.

Goldcrest Homeowners Association
Statement of Revenue and Expenses
Ten Months Ended January 31, 2015

	Year to Date Actual	Year to Date Budget	Budget Difference	Annual Budget
Revenue				
Uncollected Finance Charge	0	(1,731)	1,731	(2,103)
Assessments	58,825	56,875	1,950	56,875
Finance Charges assessed	1,361	1,731	(370)	2,103
Interest	36	90	(54)	90
Reimbursed Process fees	0	144	(144)	144
Recovery of Past Due Account	0	2,000	(2,000)	2,000
Total Income	60,222	59,109	1,113	59,109
Expense				
Web Page Design	500	0	500	0
Depreciation Expense	2,575	0	2,575	0
Insurance Expense				
Directors and Board Insurance	1,348	1,450	(102)	1,450
Liability	706	850	(144)	850
Total Insurance Expense	2,054	2,300	(246)	2,300
Legal, Professional and Liens				
Henderson Shelton Retainer	300	600	(300)	600
Henderson Shelton Supplemental	504	200	304	200
WOBA Membership	0	150	(150)	150
Aiken & Sanders Audit	0	2,000	(2,000)	2,000
Thurston County Liens	109	0	109	0
Vista Accounting Services	4,705	4,705	0	5,580
Total Legal, Professional and Liens	5,618	7,655	(2,037)	8,530
Member Communications				
Member Mailings Spring Mtg	0	0	0	375
Fedex Off - Newsletter/Fall Mtg	263	400	(137)	400
Member Communications - Other	555	0	555	0
Total Member Communications	818	400	418	775

Goldcrest Homeowners Association
Statement of Revenue and Expenses
Ten Months Ended January 31, 2015

	Year to Date Actual	Year to Date Budget	Budget Difference	Annual Budget
Supplies, Copies, Etc				
Bank service charge	28	10	18	12
Miscellaneous Secretarial	72	75	(3)	125
Total Supplies, Copies, Etc	100	85	15	137
Landscape Maintenance				
Landscape Contract	24,605	21,740	2,865	26,088
Lawn expense and Debris removal	0	0	0	0
Maintenance Supplies	1,676		1,676	0
Water	644	225	419	225
Maintenance Contingency	250	1,956	(1,706)	2,608
Total Landscape Maintenance	27,175	23,921	3,254	28,921
Debris Removal and Front Entry				
Winter Storm Damage & clean up	0	2,000	(2,000)	3,000
Total Debris Removal and Front Entry	0	2,000	(2,000)	3,000
Miscellaneous Maintenance				
Equipment and Supplies	0	250	(250)	330
Neighborhood Gar. Sale Cleanup	0	50	(50)	50
Dog Waste clean up & other	358	434	(76)	470
Total Miscellaneous Maintenance	358	734	(376)	850
Special Projects				
Tree Removal	4,743	0	4,743	0
Tree and Shrub Planting	2,294	1,000	1,294	1,000
Arborist Assess. of Tree Health	400	500	(100)	500
Ivy & Brush Clean Up	4,352	3,000	1,352	3,000
Sidewalk Moss Control	2,212	0	2,212	0
Reserve Study	1,175	2,000	(825)	2,000
Total Special Projects	15,176	6,500	8,676	6,500
Transfer to reserve	10,000	10,000	0	10,000
Total Expense	64,374	53,595	10,779	61,013
Excess of Revenue over Expenses	(4,152)	5,514	(9,666)	(1,904)

Reserve Account Funding

Goldcrest Homeowners Association contributes to a reserve fund for long term maintenance and replacement of assets owned by the Association such as sidewalks and pathways. \$10,000 was added to the fund during this fiscal year. The Association engaged Reserve Study Group to perform a study. A copy of the study is available for those who would like to review it. Send an e-mail to Tony Mailhot, your Treasurer, at kjmail7@comcast.net and he will send you a copy.

To quote the study:

A reserve study is the sum of two parts: the physical and financial analysis. The physical analysis is a result of the on-site collection and review of data specific to the property's reserve components, common areas, and limited common areas. Through an onsite inspection and the use of source materials, the Reserve Specialist quantifies and establishes the reserve component inventory and assesses the physical condition of the Association's reserve components. Data from the physical analysis is used to define the scope and timing of future anticipated expenses.

The financial analysis evaluates the condition of the Association's reserve fund in relation to its income and anticipated expenses. It appraises the adequacy of the reserve fund, and associated member contributions, against the current and future expenditures of the Association. To adequately forecast these expenditures over the 30-year projection period, current costs, projected inflation, and interest rates must be established. Recommendations are then provided to establish a reserve fund that addresses anticipated expenses, without having to resort to special assessments.

The study provided us with 4 funding levels, Full Funding, Threshold Funding, Baseline Funding and Current Funding. The objective of a funding plan is to ensure that there is enough money in the reserve account at various points in time in the future to pay for the repairs and replacements of our common property as the expenditures are projected to occur. The plan is not designed to build up an account balance to pay for all the work at the same time. Since the repair and replacement of our infrastructure occurs over a period of time, the funding plan is designed to provide enough money to pay for each item as repairs are necessary during future years.

Baseline Funding

The minimum funding goal needed to meet planned expenditure is Baseline Funding. Baseline Funding maintains the reserve account at or above zero dollars, but leaves the association with no contingency to address unanticipated outcomes. Baseline funding would require an annual contribution of \$7,785.

Threshold Funding

Threshold funding is a strategy designed to provide for this contingency by keeping cash reserves above a specific dollar amount or percent funded level. Threshold funding would require an annual contribution of \$8,628.

Full Funding

Threshold funding is a strategy designed to provide for this contingency by keeping cash reserves above a specific dollar amount or percent funded level. Full funding would require an annual contribution of \$8,995.

Current Funding

Current funding is the level of funding the Association is currently maintaining. The Association has been funding the Reserve Account at the rate of \$10,000 a year the last 2 years.

After reviewing the reserve study, the Board decided to retain the current funding level of \$10,000 per year. It is the Board's opinion that the excess funding will allow the reserve fund to pay for repairs that are required earlier than planned and those that cost more than projected. The budget presented below allows for a \$10,000 contribution to the reserve fund during the 2015-2016 fiscal period.

Budget for 2015-2016

The Board offers the proposed budget for the fiscal year beginning April 1, 2015 for the Association's approval. The detailed budget is included with this report. Please take note of the following when reviewing it.

- The Board is proposing an increase in the annual assessment from \$325 per year to \$375 per year effective April 1, 2015. Based on our collection history, we budgeted full payment from all but 3 lot owners.
- Interest earned on delinquent accounts of \$100 was budgeted. .
- A \$2,000 budget item is included for the audit of the Association's financial statements. The accounting firm of Aiken and Sanders audited last year's statements and issued an unqualified report. An unqualified report means the auditors found no material misstatements in the financial statements after completing their audit procedures. If the proposed amendment to the by laws is passed at the annual meeting, the Association can vote to waive the audit for the March 31, 2015 financial statements. Strong internal controls are in place and we are using an outside accountant for many of the financial duties.
- The fee budgeted for the outside accountant, Vista Accounting, is \$5,577. The fee includes monthly accounting and reporting as well as preparation of the annual assessment letters, accounts receivable tracking, follow up communication, depositing and recording all monies received, paying all bills, reconciling bank accounts, and much more. The contract will expire with the end of this fiscal year, March 31, 2016.
- Although we haven't experienced any significant winter storm damage this year, the budget contains a \$3,000 allowance for next year.
- Special projects are planned for next year:
 - Cleanup and landscaping is planned for "Ivy Hill" during the coming fiscal year. We have budgeted \$13,000 for this project which will come out of savings.
 - The budget includes \$1,000 for extra tree pruning and cutting and an additional \$1,500 for tree removal. A number of trees have been identified as potentially dangerous. The trees will be monitored and cut back as necessary.
 - \$1,000 has been budgeted for painting and repairing the swing set. The funds will come out of the reserve account.
 - \$5,000 has been budgeted for rebarking.

- Ongoing maintenance of the common area is necessary to avoid the accumulation of problems that end up being more expensive than year to year maintenance. The budget proposal includes a \$50 increase to the annual assessment to fund the cost of continuing common area maintenance.

Proposed Changes to Bylaws and Covenants

Over the last 5 years we've seen several Goldcrest homeowners suffer the loss of their house through foreclosure. Often, when the mortgage is not regularly paid, the annual homeowner's assessment also goes unpaid. The Association has limited powers to collect the past due assessments once the foreclosure complaint is filed. Our Covenants state that any lien the Association files to secure the outstanding assessments is secondary to any mortgage on the property in question.

Currently there are two properties with long outstanding assessments. A lien was filed by the Association on both properties. As noted above, we may collect on one of the properties, but the other one is doubtful. Article C.1 of the Protective Covenants of Goldcrest Division I-V states that liens filed by the Association related to past due assessments "shall be subordinate to the lien of any mortgage regardless of its date of execution provided a dwelling unit is upon said lot. We have been fortunate in the past that banks have agreed to pay the outstanding amounts even though they had no legal obligation to do so. However, the last 2 years have been very frustrating in that the banks refused to foreclose on several houses and decided to let them just sit unoccupied. The houses became neighborhood nuisances, an attraction to pests and an invitation to the homeless. The Association had no power to force the banks to take any action to either maintain or sell the properties.

After consulting with the Association's attorney and discussing it at the monthly Board meetings, Tony Mailhot offered a motion to put before the membership a change to the Covenants and the Bylaws which will make the Homeowners Association's liens superior to any other claim on a Goldcrest lot such that a foreclosure action by a bank or other lender will not invalidate our claim for past due assessments. In addition, subordinating the bank's mortgage to our lien gives us leverage when dealing with slow acting lenders. Ultimately, it gives Goldcrest Homeowners Association the power to foreclose on our debt, take possession of the property and sell it on the open market. The Board voted and passed the motion to put a change to the Covenants and Bylaws before the Association.

Pursuant to Article IX of the Bylaws the following amendment to the Bylaws of Goldcrest Homeowners Association is proposed:

Article VI – Assessments and Collection Guidelines, Section 3 currently reads:

Section 3: The Board may file liens on property within Goldcrest prior to the one-year requirement in the Covenants if, in the opinion of the Board, an earlier filing is prudent to protect the interests of the Association.

The amendment to the Bylaws will strike section 3 completely.

Pursuant to Article C.3 of the Protective Covenants of Goldcrest Division I-V the following amendment to the Protective Covenants is proposed:

Article C General Provisions, Section C.1 Assessments currently reads:

All lots shall be subject to a general annual assessment by the action of the Board of Directors of the Goldcrest Association for the purpose of defraying the costs and expenses of said non-profit corporation in carrying out its stated purposes and functions.

The rate of the general annual assessments shall be determined or fixed not later than the month of December of each year at a level sufficient to raise an amount that, in the judgment of the Board of Directors may be required for the ensuing year.

Such assessments shall be paid to the Goldcrest Association as provided by action of the Board of Directors. Unpaid assessments along with reasonable attorney's fees, costs of title search, court costs, costs of public officials and recording fees that are actually incurred shall bear interest at the rate of 2% per month, compounded monthly until paid.

The Goldcrest Association shall have the exclusive right to institute any and all actions or proceedings for the collection of such assessments.

The owners of lots shall be personally obligated to pay such assessments upon being billed at the beginning of the fiscal year. Unpaid assessments shall accrue interest beginning forty (40) days after that date. Unpaid assessments with interest shall become a lien on said property until such time as the assessment and interest are paid. The lien shall be placed following one year of unpaid assessments. Said lien shall be subordinate to the lien of any mortgage regardless of its date of execution provided a dwelling us upon said lot.

Article C General Provisions, Section C.1 Assessments as amended will read:

All lots shall be subject to a general annual assessment by the action of the Board of Directors of the Goldcrest Association for the purpose of defraying the costs and expenses of said non-profit corporation in carrying out its stated purposes and functions.

The rate of the general annual assessments shall be determined or fixed not later than the month of December of each year at a level sufficient to raise an amount that, in the judgment of the Board of Directors may be required for the ensuing year.

Such assessments shall be paid to the Goldcrest Association as provided by action of the Board of Directors. Unpaid assessments along with reasonable attorney's fees, costs of title search, court costs, costs of public officials and recording fees that are actually incurred shall bear interest at the rate of 2% per month, compounded monthly until paid.

The Goldcrest Association shall have the exclusive right to institute any and all actions or proceedings for the collection of such assessments.

The owners of lots shall be personally obligated to pay such assessments upon being billed at the beginning of the fiscal year. Unpaid assessments shall accrue interest beginning forty (40) days after ~~that~~ the due date. Unpaid assessments with interest shall become a lien on said property until such time as the assessment and interest are paid.

The lien shall be placed and recorded on such property and will continue to accrue interest until paid. ~~following one year of unpaid assessments.~~ Said lien shall have priority over the lien of any other recorded mortgage ~~regardless of its date of execution provided a dwelling is upon said lot~~ or like security interest or claim.

The Board members appreciate all the volunteer hours that our members spent last year making our neighborhood so beautiful.