

Crosspointe Swim and Racquet, Inc.
Budget & Finance Committee FY2022 Q2 Meeting Minutes (Draft)
April 28, 2022
7:00PM
(CPCC and via Zoom)

Agenda

- I. Call to Order/Quorum
 - a. With a quorum present, the meeting was called to order at 7:02 PM

Members present:

- 1. Phil Ciarlo (chair)
- 2. John Cewe – (co-chair)
- 3. Sally Garrahan
- 4. Alan Sullivan

Members absent:

- 5. Brian Riley
- 6. Mike Malachowski
- 7. Larry Rice

(Note: Names above constitute the roster of full committee membership - 7 voting members)

Community manager:
Heather McDevitt

- b. **See agenda at encl 1.**

- II. Resident Input/Remarks: None attended in person or via zoom. The meeting announcement and zoom link were both posted on the Crosspointe home page and calendar to maximize outreach to members.

- III. Guest Speaker(s): None

- IV. Old Business
 - i. Discuss investments/reaffirm CD ladder/rollover strategy & status

The current CD/investments held in the Morgan Stanley account were reviewed and determined to be as expected and in sync with the BOT approved CD ladder/rollover investment strategy. The committee members present unanimously reaffirmed that no strategy adjustment/change is required/recommended. Maturing CDs will be reinvested at the best available rate within the CD ladder based on RR cash/checking account needs/projections at the time they mature.

- ii Review cash account levels and “pro-active transfers” required to maintain CPHOA operations and fund FY2022 planned replacement reserves projects and new RR checking acct.

Cash account levels were reviewed and are projected to be sufficient to maintain operations and pay for operations and BOT approved replacement reserves (RR) projects for the next quarter. Cash positions will be reevaluated at the Q3 B&FC meeting on 7/28/2022 to determine if any CD(s) should be cashed in. In addition, Q2 cash contributions for budgeted RR savings will be deposited to the new RR checking account where they are more readily available to pay for ongoing and near term BOT approved RR projects. The establishment of the RR checking account prevents the comingling of operational funds with RR cash account funds. This provides a cleaner and clearer financial transaction picture, reduces the risk of invoice payment from incorrect accounts, and enhances BOT oversight of RR spending and reporting controls.

V. New Business

- i. B&FC chair approved by BOT for 2022-2023 term

Committee members were informed of BOT action at their April 2022 meeting to appoint Phil Ciarlo as B&FC chair for the May 2022-April 2023 term

- ii. Review FY2022 Q1 financials/results vs. budget and forecast

February 28, 2020 Financials were reviewed and determined to be generally within expected budget variance parameters. No major issues were identified

- iii. Discuss FY2021/2020 draft audit and committee recommendation to the BOT re: audit acceptance

The committee unanimously recommends the BOT approve/accept the Draft FY2021/2020 audit with two recommended minor changes. **See detailed committee recommendation and rationale at enclosure 2**

- iv. Review the process and plan for a new capital replacement reserves study

The last reserve study was completed in August 2017 by PM+ Reserves and covers the period FY2018-FY2022. Statutes and CPHOA documents require a reserve study be completed every 3-5 years by a certified professional engineering firm. A new reserve study must be completed in FY2022 to cover the period FY2023-FY2027. Management will contact the PM+ Reserves to determine their ability to conduct a new study for the price cited in the FY2018-FY2022 study. If they are available at the cited price, the committee recommends that management request their written proposal and the BOT accept the proposal. If they can not/will not complete the new study at the cited price, management will send letters to multiple qualified firms requesting their proposals to complete a new study by September 30, 2022. This due date is required to properly inform final development of the FY2023 draft budget.

- v. Review Goldklang Group Audit Engagement Letter proposal for conduct of the FY2022 and FY2023 audits and discuss inclusion of details re: operating reserves percentage calculation

The committee unanimously recommends the BOT approve/accept the Goldklang Group Audit Engagement Letter proposal for conduct of the FY2022 and FY2023 audits. **See detailed committee recommendation and rationale at enclosure 2**

- vi. Discuss the schedule and next steps for the FY2023 budget development cycle

The next activity on the FY2023 Budget development schedule is for the community manager to send the final BOT approved FY2023 budget development schedule to all committee chairs NLT May 18, 2022

- vii. Verify dates for FY2022 Q3/Q4 committee meetings

The Q3 meeting will take place as scheduled on 7/28/2022.

The Q4 meeting will take place as scheduled on 9/29/2022

VI. Additional Comments/Concerns: None

VII. Adjourn: The meeting adjourned at 9:14 PM

B&FC Q2 Meeting Recommendations

- 1) The B&FC unanimously recommends BOT acceptance of the Goldklang Group proposal for completion of the FY2022 and FY2023 audits and tax returns.**

Rationale for proposal acceptance:

Ongoing satisfactory professional working relationship with CPHOA and FSR personnel

Existing established knowledge and understanding of CPHOA financial accounts and operations

The offered prices for these services are \$6,700 and \$6,800 respectively for the FY2022 and FY2023 audits, plus \$600.00 per year for completion of both the federal and state tax returns.

Their proposal/offer represents a total price increase of only \$200 above their charges for completion of the FY2021/2020 audit and tax returns. These charges were \$6,600.00 (audit) and \$500.00 (federal and state tax returns) respectively.

- 2) The B&FC unanimously recommends acceptance of the FY2021/2020 Draft Audit (with 1 minor recommended change to paragraph 5 of the Transmittal Letter, and 1 minor modification to the Management Letter)**

Rationale for audit acceptance/approval:

The audit is a well written and very positive report. The "Opinion" paragraph of the "Independent Auditor's Report" states: "In our opinion, the financial statements...present fairly, in all material respects, the financial position of Crosspointe Swim and Racquet, Inc. as of December 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America".

The Management Letter commends the Association and BOT in multiple areas including Insurance, Investment Policy and oversight monitoring activities, and financial reviews.

No significant deficiencies or material weaknesses were identified

Only seven adjusting entries are recommended

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a. The following minor edit is recommended/requested for clarity:

Paragraph 5 of the audit transmittal letter currently reads as follows:

“COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES UNDER AU-C 265

Under the Clarified Statements of Auditing Standards AU-C 265, we are required to communicate in writing any significant deficiencies and/or material weaknesses in the Association’s internal controls. Use of this letter is restricted to the board of trustees and management. **If we did not note any significant deficiencies or material weaknesses, no letter will be issued.”**

The above highlighted sentence of paragraph 5 of the audit transmittal letter should be changed to read as follows:

“Under the Clarified Statements of Auditing Standards AU-C 265, we are required to communicate in writing any significant deficiencies and/or material weaknesses in the Association’s internal controls. Use of this letter is restricted to the board of trustees and management. **Since we did not note any significant deficiencies or material weaknesses, no letter was issued.”**

Rationale:

This change clarifies (clearly states) that item #5, **COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES UNDER AU-C 265** does not apply to CPHOA. As currently written, if the reader finds no letter on this topic in the audit package, the wording requires the reader to “assume” no letter was issued. However, a letter could have been issued but inadvertently omitted or intentionally removed. The recommended wording change clearly states that no letter was issued and eliminates the need for an assumption.

b. The following minor modification is recommended/requested for the Management Letter:

Modify (add to) the table in the Management Letter, a table to capture/identify the UME (Unappropriated Members Equity) /OR (Operating Reserves) 10-20% ratio of Annual Dues calculation metric

Crosspointe requests the following table (below) be incorporated into the Management letter, in the Financial Analysis section on page two; in addition to the existing tables, to address the specific mechanics of the industry guidelines recommending retention of 10% to 20% of annual assessments as unappropriated members’ equity (retained earnings) and Operating Reserve. This change will help clarify for Crosspointe the calculation and also provide the BOT and Budget and Finance committee with a better annual metric in making decisions on adjusting dues.

From CP's FSR Comparative Balance Sheet (adjusted) as of:		31-Dec-21	
ACCT #	OWNERS EQUITY	CURRENT MONTH	
30500	RETAINED EARNINGS/UME	240,212	
38006	38020 OPERATING RESERVES LEGAL	97,724	
38006	38100 OPERATING RESERVES OTHER	4,417	
38009	CAPITAL REPLACEMENT RESERVES	1,312,917	
	NET EXCESS/(DEFICIT)	75,636	
	TOTAL OWNERS EQUITY	1,730,907	
	Unappropriated Members Equity (UME)	315,848	
	UME as a % of Annual Dues	22.5%	
	CP HOA Annual Dues	1,404,000	
			% of Dues
	BASIC UME	240,212	17.1%
	Adjusted UME (includes NET Excess/Def)	315,848	22.5%

List of 2022 Projects

	Project	Replacement Reserve Expense	Operating Reserve (Cap	Operating Budget	Project Stage	Status of Project	Price	Status of Payment
1	T24 Repairs Behind Oak Chase Pool & T32 intersection by OSC			X	6 for T24 repairs /T32 intersection not done or RFP sent	1	\$ 19,865.00	Received invoice for \$9669
2	GE Pool - Drain/clean & Recaulk Expansion Joint & move bball hoop			X	6	6	\$ 3,250.00	Paid \$3250
3	Various trail improvements/Signs		X		2		\$ 12,533.00	
4	T28 Dirt to Stone Trail		X		2		\$ 20,000.00	
5	T28 Pipe install		X				\$ 5,000.00	
6	Fencing around Cross Chase & Glen Eagles Multipurpose Courts		X		6	6	\$ 7,850.00	Paid 7/26 \$7850
7	OC Pool Electrical/Trenching		X		6	6	\$ 4,255.00	Paid \$4255
Capital Replacement Reserve Items								
1	Asphalt overlay trail Northside of Crosspointe Drive	X			2	Creating RFP	\$ 7,171.00	
2	Asphalt overlay T24 intersecting T22 behind Greentree Manor Ln.	X			2	Creating RFP	\$ 1,372.00	

3	Ashpalt overlay T24 at extension to cul-de-sac on Westpointe Dr.	X			2	Creating RFP	\$ 967.00	
4	Asphalt patch on T30 from Peach Ct. to school prop.	X			2	Creating RFP	\$ 8,233.00	
5	Asphalt overlay T24 around lake to right of wooden bridge	X			2	Creating RFP	\$ 19,340.00	
6	GE Main Pool Cover	X			N/A		\$15,000	
7	Replace GE Main Pool Pump	X			N/A		\$15,250	
8	Purchase 2 Duraflex Diving Boards	X			6	Purchased 2 new diving boards for GE	12,080?	Paid \$12,080
9	Purchase Funbrella	X			1	Not needed at GE - may need at OC	\$ 2,500.00	
10	Dredge Heron Pond	X				Need RFP drafted	\$ 50,000.00	
11	Bathymetric Study of Pond	X				Need RFP drafted	\$5,000	
12	Replace GE C.C. and GE & OC Poolhouse Roofing/ Replace Dormers, Gutters & Cupolas	X			5	Almost complete; Paid \$121,252 deposit	\$242,504	Paid \$121,252
13	Xpt. Signature Pedestrian Bridge Repl.	X				Need RFP drafted	\$89,000	
14	Repairs to Entrance Walls	X				BOT Approved Engineer Contract \$14,000	\$40,000	

15	Perimeter Fence at Oak Chase Pool	X			6		\$37,998	Paid \$18,999 on 3/28 and paid \$18,999 on 7/26
16	GE Tennis Court crack repair	X			6		\$1,950	Paid \$1950
17	Reserve Study	X			1		\$4,600	

Project Stages

1. BOT Approved
2. RFP Phase
3. Bids in - Decision Phase
4. Contract signed
5. Project started
6. Project completed