

FINANCE COMMITTEE MINUTES

December 16, 2014

The regular meeting of the Finance Committee held on Tuesday, December 16, 2014, was called to order by Chair Stone at 10:00 a.m., in the Administration Conference Room. The Pledge of Allegiance was led by the Chair.

ROLL CALL

Present:	Ms. L. Stone, Chair	Ms. P. Snowden
	Mr. D. Craig	Mrs. M. Wood
	Mr. J. DeMarco	Ms. R. Winkler, Ex Officio
	Mr. S. McGuigan	

Absent: Mrs. C. Damoci

Staff:

- Mr. R. Ankeny, Executive Director
- Ms. C. Miller, Controller
- Mrs. C. Weller, Mutual Administration Director
- Ms. R. Smith, Human Resources Director
- Ms. J. Rogers, Purchasing Supervisor
- Ms. J. Hopkins, Mutual Administration Assistant Manager
- Mrs. J. Reed, GRF Representative, Mutual Four
- Mr. P. Hood, GRF Representative, Mutual Five
- Mr. L. Krieger, GRF Representative, Mutual Nine
- Mr. P. Moore, GRF Representative, Mutual Seventeen
- Mr. B. Lukoff, GRF Representative, Mutual Fourteen
- Three Foundation Members

INTRODUCTION OF STAFF AND GUESTS

The Chair introduced and welcomed Foundation members and Staff.

Mr. Craig MOVED, seconded by Mrs. Wood and carried unanimously –

TO dispense with the reading of a quorum of the GRF BOD is present.

The Chair stated that in accordance with California Civil Code Section 4090, please be advised that a quorum of the Golden Rain Foundation Board of Directors (GRF BOD) is present at today's posted meeting. The business of the Finance Committee will be conducted in accordance with the agenda. As a quorum of the Board is present, this meeting will be conducted as a committee meeting *and* a Board meeting. The agenda actions of the committee will be limited only to the members of the committee and will only constitute such actions in accordance with stated

committee policy and/or provide recommendations to the GRF Board of Directors at its regular Board meeting on the 4th Tuesday of the month. GRF Board members who are not committee members will be allowed to comment when recognized by the Chair and only during the proscribed Foundation member comment period, not to exceed four minutes, as set forth in Policy 5610, Participation by Foundation Members. The minutes of today's Board meeting will be presented to the Board for approval following the approval of the committee meeting minutes in January.

COMMITTEE RULES

The Chair reviewed the meeting rules and asked that courtesy and respectfulness be acknowledged at all time. Please remember to turn off your cell phones.

CONSENT CALENDAR – APPROVAL OF COMMITTEE MEETING MINUTES

Approval of Regular Meeting Minutes of November 7, 2014

Approval of Special Meeting Minutes of November 18, 2014

Approval of Special Meeting Minutes November 24, 2014

In accordance with Civil Code 4090, the Committee will make available a summary of the meetings, wherein any item placed in the Consent Calendar can be approved in one motion, is requested.

Mrs. Wood MOVED, seconded by Mr. Craig, and carried unanimously-

TO approve the consent calendar as set forth on the agenda.

CHAIR'S ANNOUNCEMENTS

The Chair announced with the consensus of the committee to add "Workers' Compensation Surplus" to the agenda, as item "f", under Unfinished Business.

FOUNDATION MEMBER COMMENT PERIOD (FOR AGENDA ITEMS ONLY)

One Foundation Member spoke on the Superwire contract and Workers' Compensation surplus.

REVIEW CORRESPONDENCE

The Committee received no correspondence to review.

STAFF REPORTS

Controller – Financial Report Review

The Controller reviewed the November 2014 financial reports, variance summaries, balance sheet, capital budget and cash flow activity.

After the 2014 financial statements have been finalized, funds in the Trust Improvement and Capital Improvement fund accounts will be restructured into two new funds: Reserve Fund and Capital Improvement Fund. The Reserve Fund will be used for the repairs and replacement of existing components, whereas the Capital Improvement Fund will be used to purchase new components. The Capital Improvement Fund will be funded by a percentage of membership fees collected in accordance with Policy 5061-31.

The Committee and staff discussed the need to carry over funds from the 2014 capital budget to finance various projects still in progress at year-end and for projects that were approved by the Board of Directors in 2014 that have not yet been started.

Mr. Craig MOVED, seconded by Mrs. Wood and carried unanimously –

TO appoint two committee members, Ms. Stone and Mr. McGuigan, to discuss with the Controller the appropriate amount of funds to carry over to 2015 and recommend the GRF BOD approve the final list.

The Controller reviewed the miscellaneous receivables. After discussion, it was the consensus of the committee that any vendor that had a second reminder of their past due invoice will not receive copy services until paid in full.

The Controller's report is attached at the end of the minutes.

Accept December 2014 Financial Statements

Mrs. Wood MOVED, seconded by Mr. McGuigan and carried unanimously –

TO recommend the GRF BOD accept the November 2014 Financial Statements for audit.

The Chair called for a recess at 11:25 a.m.

The meeting resumed at 11:30 a.m.

Purchasing Supervisor

The Purchasing Supervisor's report is attached at the end of the minutes.

Executive Director

The Executive Director provided an update on the capital projects.

UNFINISHED BUSINESS

Approve Resales Contract

The Committee reviewed the amended Resales contract, Operations Agreement and Letter of Intent for the Resales office. After discussion, Mr. DeMarco MOVED, seconded by Mr. McGuigan and carried unanimously –

TO recommend the GRF BOD approve the Resales contract, Operations Agreement and Letter of Intent for the period of January 1, 2015 to December 31, 2017.

Mutual 17 Renters Lease and Form

The Mutual Administration Director and committee reviewed the Mutual Seventeen renter lease agreement. The Mutual Administration Director reported there are currently nineteen residents whom have not paid the required \$25.00 per month fee.

The Controller reported that this will be tracked in Jenark.

Mutual Self-Insurance Fund

At the regularly scheduled meeting of the Presidents Council meeting on December 4, 2014, the Council reviewed and discussed Mutual Four's request to retain \$10,000 from Mutual Self-Insurance Fund (MSIF) for pending small claims court action. By majority vote of the attendees, the motion passed to refund any remaining funds to the Mutuals on a pro-rata basis.

NEW BUSINESS

Golden Rain News Uncollectable Accounts

The Controller reported the uncollectable accounts for the Golden Rain News department. She requested the Committee authorize the write-off of \$1846.68.

Mr. McGuigan MOVED, seconded by Ms. Snowden and carried unanimously –

TO write-off the aged receivables in the amount of \$1846.68.

Superwire

The Committee reviewed and discussed the Superwire contract. It was the consensus of the committee to invite Bob McAuley to next regularly scheduled Finance Committee meeting for questions and clarification on several points of the contractual agreement. In particular, the Committee would like to discuss Section

2.1.4, "Quality of Service" including the most recent survey and the current procedure for the accounting of extra services.

Amazon Smile

The Chair stated this would be moved to the February agenda.

Approve Non-Budget Funding Request from Recreation Committee

A detailed review of the Foundation's Holiday decorations was performed by Recreation Committee members, noting the majority of the holiday decorations have fully served their useful life and require replacement. It is the intent of the Committee to take advantage of after holiday sales to purchase decorations at highly discounted prices.

The Committee reviewed the request to expend non-budgeted funds from the Recreation Committee. In review of the request, it was noted the Foundation is financially strong with substantial surplus operational funds available.

*If approved by the Board of Directors, all purchases will be charged to the appropriate cost centers and noted in the respective variance reports as an approved non-budgeted expense.

Mr. McGuigan MOVED, seconded by Ms. Snowden and carried unanimously -

TO recommend the GRF BOD approve an amount not to exceed \$25,000, from surplus operational funds to purchase Holiday decorations for the Foundation.

Approve Non-Budget Funding Request from Physical Property Committee

The Resales building constitutes an asset of the Trust and as such must be maintained in a due and proper manner. A detailed inspection of the asset and its various components was performed, noting numerous conditions that require repair and/or replacement.

After discussion, Mr. Craig MOVED, seconded by Mr. McGuigan and carried unanimously –

TO recommend the GRF BOD approve to reallocate up to \$70,000 from the 2014 Capital Fund as follows:

1. Any surplus capital funds from the renovation and

replacement of components for the 2nd floor of the Administration Building,

2. \$50,000 allocated for professional services in Master Planning,
3. \$4,000 allocated for the hot tub shade.

Reallocated funds are solely to be used for the replacement of components of the Trust asset noted at the Resale's building and all work to be performed in accordance with all applicable policies.

Workers' Compensation Surplus

The Committee reviewed the Workers' Compensation premiums in comparison with the amounts budgeted for 2015. It was noted that \$830,000 was budgeted for Workers' Compensation Insurance (WCI), based on information provided in June 2014 from our broker noting a worst case WCI scenario:

- Of a higher experience modification rating (Ex-Mod),
- Possible increased classification rates within the market,
- Claims open as of June 2014.

The WCI rate represents a \$299,183 savings to the approved WCI budget due to:

- Payroll calculation rate for the 9066 classification code (Home Owner Associations) dropped overall in the market,
- Two major claims were closed, with reduction in the funding Reserves,
- The Foundation has been actively managing our Workers' Compensation claim occurrences noting an over 70% DECREASE in claims as of November 30, 2014.

As the WCI rate represents a substantial savings to the approved 2015 operational budget, there now exists a unique opportunity to reduce the 2015 operational budget to reflect the WCI rates as approved.

The Committee recommends to the Board an adjustment to the 2015 budget, reducing the 2015 monthly assessments by \$3.15.

Mr. McGuigan MOVED, seconded by Mrs. Wood and carried unanimously –

TO recommend the GRF BOD approve the adjustment to the 2015 budget and to approve a \$3.15 reduction in the monthly Golden Rain assessment.

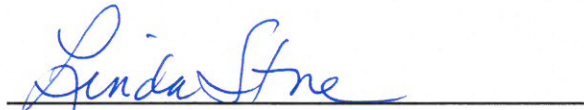
If approved by the Board:

- All Cost Centers are adjusted to reflect the approved WCI,
- Revised budget is posted,
- Articles are placed in the News,
- 30 day notice is required to the Shareholders/Members,
- New coupon books are printed and distributed (Estimated cost \$12-15,000),
- January assessment will remain as previously approved including the increase, for the 30 day notice and reissuing of coupon books,
- Revised assessments to go into effect February 1, 2015.

ADJOURNMENT

Next Monthly Meeting: January 20, 2015 at 10:00 a.m. in the Administration Conference Room.

The Chair adjourned the meeting at 12:28 p.m.



Linda Stone, Chair

FINANCE COMMITTEE

mm 1.16.15

MOTION

- **TO** dispense with the reading of a quorum of the GRF BOD is present;
- **TO** approve the consent calendar as set forth on the agenda;
- **TO** appoint two committee members, Ms. Stone and Mr. McGuigan, to discuss with the Controller the appropriate amount of funds to carry over to 2015 and recommend the GRF BOD approve the final list;
- **TO** recommend the GRF BOD accept the November 2014 Financial Statements for audit;
- **TO** recommend the GRF BOD approve the Resales contract, Operations Agreement and Letter of Intent for the period of January 1, 2015 to December 31, 2017;
- **TO** write-off the aged receivables in the amount of \$1846.68;
- **TO** recommend the GRF BOD approve an amount not to exceed \$25,000, from surplus operational funds to purchase Holiday decorations for the Foundation;
- **TO** recommend the GRF BOD approve to reallocate up to \$70,000 from the 2014 Capital Fund as follows: Any surplus capital funds from the renovation and replacement of components for the 2nd floor of the Administration Building, \$50,000 allocated for professional services in Master Planning, and \$4,000 allocated for the hot tub shade;
- **TO** recommend the GRF BOD approve the adjustment to the 2015 budget and to approve a \$3.15 reduction in the monthly Golden Rain assessment.

ACTIONS

- Superwire - Invite Bob McAuley to next regularly scheduled Finance Committee meeting for questions and clarification on several points of the contractual agreement;
- Amazon Smile – Add to February agenda.

Golden Rain Foundation
December 16, 2014 meeting of the Finance Committee
Controller's Report

Golden Rain Foundation
Budget Comparison Report
Finance - CC 31
For the Eleven Months Ending November 30, 2014

YTD				
G/L Number	Description	Actual	Budget	Budget Variance
Expenses				
61000	Salaries & Wages	\$461,564	\$481,509	\$19,945
61400	Payroll Taxes	37,698	39,979	2,281
61420	Workers Compensation	6,427	7,103	676
61430	Group Insurance Medical	46,220	48,688	2,468
61433	Group Insurance - Dental	1,206	1,130	(76)
61435	Group Insurance - Vision	857	864	7
61440	Retirement Fund	9,392	14,587	5,195
61450	Group Insurance - Life	1,894	1,434	(460)
61460	Long Term Disability Insurance	1,766	2,655	889
64100	Materials & Supplies	19,342	23,320	3,978
64440	Equipment Rental	2,491	3,667	1,176
64750	Empl. Recruitment / Temp. Fees	17,806		(17,806)
64810	Continuing Education	25	440	415
64820	Mileage	45	55	10
64830	Dues & Memberships		504	504
64890	Uncollectible Accts/Misc W/Os	686		(686)
64940	Service Contracts	1,693	229	(1,464)
Total Expenses		609,111	626,164	17,053
Other Cost Recovery				
5385...	Other Income	3,091	3,667	(576)
55400	Discounts Earned	1,055	275	780
Total Other Cost Recovery		4,147	3,942	205
53300	Trust Admin. Cost Recovery	621,720	621,722	(2)
Total Cost Recovery		625,867	625,664	203
Off Budget Items				
Net Income / (Expenses)		16,756	(500)	17,255

Budget Variance Report - November 2014

Finance Department - CC #31

<u>GL Code</u>	<u>Account Description</u>	<u>Variance</u>	<u>Explanation</u>
61000	Salaries & Wages	19,945.00	A/P Clerk replaced with lower salary
61400	Payroll Taxes	2,281.00	A/P Clerk replaced with lower salary
61430	Group Insurance - Medical	2,468.00	Lower negotiated insurance plan for 2014
61440	Retirement Fund	5,195.00	New employee not eligible for participation
64100	Materials & Supplies	3,978.00	Cyclical spending and anticipated YE higher expenditures
64750	Empl Recruitment / Temp. Fees	(17,806.00)	A/P position replacement & A/P temporary replacement
Total Explained Variances		16,061	

Investments

- Purchase in December
 - 52-week CDAR for \$550,000

General Audit Timeline

2014 Financial Statement Audit Timeline	
Mid December	Interim fieldwork begins - auditors onsite Walk-throughs, assess controls, review legal bills, develop the audit plan.
Dec 30	Physical inventory - auditors onsite to observe
Early January	Send out audit confirmations: Attorneys & financial institutions
Late January	Year-end fieldwork - auditors onsite
February	Finalize financial statements & prepare tax filings - Auditors offsite
Feb / Mar	Present audited financial statements to GRF & Mutual boards. Once board approves, make copies for newspaper distribution
Mar 16	Due date for tax filing (Finalize by Mar 3 - 7)
Apr 6 - 10	Provide News with financial statements for distribution
Apr 16	Distribute financial statements via Golden Rain News

Tangible Property Regulations Update

1. Tangible Property Regulations Update
 - a. New IRS regulations set forth the framework for distinguishing capital expenditures from supplies, repairs & maintenance.
 - b. Prior to this regulation, there were no specific conditions for a taxpayer to write off any dollar amount.
 - c. Based on the new rule, GRF and Mutuals are required to have a written capitalization policy that defines the threshold purchase amount of a capital asset.
 - d. The IRS defines this required adoption of the new regulation as a change in accounting method and must be reported by filing Form 3115.
 - e. Required Action by GRF and Mutuals:
 - i. Establish and adopt a capitalization policy that is effective 1/1/2014 because although the regulation was just passed, it is retroactive to 1/1/2014.
 - ii. When filing the 2014 tax returns, include Form 3115. (NSBN will take care of this.)
 - iii. Review all fixed assets for each company and remove those assets from the books that are most likely no longer in use. (Example, if a computer acquired in 1986 exists on the books, most likely it is long gone.) A physical inventory of fixed assets has not been performed since prior to 2007.
 - f. The above steps are required, however there will be no tax impact as a result of this regulation
 - i. GRF and the Mutuals fall under IRS Ruling 70-604 Sub-Chapter T which means that any income tax is determined on what is referred to as non-patronage income. Non-patronage income is basically investment income earned on CDARs and money market accounts (where interest is not tax exempt) offset by expenses directly related to this income (investment management advisory fees).
 - ii. Based on the above statement, depreciation does not reduce the tax liability for either GRF or the Mutuals.
 - g. The reason why it is necessary to comply with the IRS regulation to show due diligence and cooperation should an IRS audit arises.
 - h. Next step, staff to draft a capitalization policy that complies with the IRS regulation and bring to committee next month.

New Bank Structure

Current Structure

Designated Deposits:	
Contingency Operating Fund	685,047
Trust Improvement Fund	14,647
Capital Improvement Fund	6,125,174
Liability Insurance Deductible Fund	1,020,052
Mutuals' Self-Insurance Fund	20,894
Other Restricted Fund	552,374
Total Designated Funds	<u>8,418,188</u>

2015 Structure

Designated Deposits:	
Reserve Fund	6,980,767
Committed Funds	-
Capital Fund	-
Contingency Operating Fund	685,047
Liability Insurance Deductible Fund	200,000
Other Restricted Fund	552,374
Total Designated Funds	<u>8,418,188</u>

Jenark Conversion

1. 2012 Year-end balances, 2013 YTD activity and 2014 monthly activity through October have been loaded into Jenark for GRF and all Mutuals.
2. Continue with uploading 2012 - 2014 Budget data for both GRF and Mutuals. 2015 budget data still needs to be loaded.
3. Staff received training on building financial reports. The task of building reports continue. Reports need to be built before loading budget data into Jenark so that uploaded data can be validated.
4. Established transaction flows for all SRO bill codes so that charge codes can be established.
5. Created a preliminary file with inventory data to upload to MicroMain. Currently, scrubbing the inventory data for better descriptions and item numbers.
6. Between now and year-end, the following will be completed:
 - a. Upload the vendor database into Jenark
 - b. Upload Accounts Receivable (member) balances into Jenark
 - c. Upload inventory quantities and values into MicroMain

Aged Receivables

1. Initially presented the aged receivables to the Finance Committee in January 2014.
2. The Committee authorized the write-off of all aged receivables from 2006 – 2010 to be added to the Controller's report to the GRF Board at the January meeting.
3. Collection efforts for balances 2011 – current. Collection letters were sent on February 5, 2014.
4. On 2/10/2014, signage was placed in the Purchasing Department to notify all contractors that we will no longer honor credit for over-the-counter purchases.
5. Committee authorized write-offs of \$617.49 on May 20th.
6. Collected \$962.77 from Verizon that was delinquent from November 2011.
7. In November, the Finance Committee approved the write-off of \$196.74 from the Valley Crest Landscape account which was a balance due from 8/16/2011. This balance will be written off in December.
8. News Receivable write-offs for December:

Pending Action Items:

- Review 2014 capital carryover for 2015 at the December meeting.
- Map out PO process
- Change PR to include:
 - Project number and name
 - Authorized person
 - Requester
 - Budgeted?
 - Board Approved? When?
- Mutual 17 Lease

Purchasing Supervisor Report

Finance Committee Meeting, December 16, 2014

1. Budget Variance:

For cost center 32 there is a positive variance to budget YTD of \$35,969. The variance is mainly due to the changes in salaries in staff over 2014 YTD with the total of wage related categories \$34,978 below budget. Freight and handling YTD total \$4,422 below budget. Inventory over/short YTD total over budget at \$3498 and we are currently over budget in materials and supplies by \$7959 due to the accrual of the cost of the warehouse shelving project.

2. Project Report:

- Jenark/Micromain data import preparation.
 - Database clean-up ongoing. Conversion to MicroMain currently planned for early next year.
- Ongoing obsolete inventory review:
 - Identify.
 - Discontinue.
 - Rotate back to supplier where possible items in inventory that are no longer in use. Write-off where necessary.
- 2014 Year End Inventory.
 - Scheduled for 12-30-14
- Warehouse Shelving replacement.
 - Warehouse shelving project at this time is scheduled to be completed on Friday December 12, 2014.

3. 2014 Capital Project Status:

- Cantilever Rack – complete.
- Bar Code Printer Label – This is in test and all purchases will be completed by year end.

Golden Rain Foundation
Budget Comparison Report
Purchasing - CC 32
For the Eleven Months Ending November 30, 2014

INTERNALLY PREPARED
FOR MANAGEMENT USE ONLY

November			YTD			Annual		
Actual	Budget	Budget Variance	G/L Number	Description	Actual	Budget	Budget Variance	Annual Budget Unused Budget
Expenses								
\$7,357	\$17,407	\$10,050	61000	Salaries & Wages	\$161,579	\$191,482	\$29,903	\$208,889 \$47,310
1,067	1,446	379	61400	Payroll Taxes	14,065	15,906	1,841	17,352 3,287
185	190	5	61420	Workers Compensation	12,363	13,630	1,266	13,820 1,457
2,159	2,904	745	61430	Group Insurance Medical	24,755	31,945	7,190	34,849 10,094
79	63	(16)	61433	Group Insurance - Dental	652	692	40	755 103
40	43	3	61435	Group Insurance - Vision	408	477	69	520 112
247	456	209	61440	Retirement Fund	4,091	5,021	930	5,477 1,386
73	56	(17)	61450	Group Insurance - Life	714	621	(93)	677 (37)
58	104	46	61460	Long Term Disability Insurance	606	1,149	543	1,253 647
14,792	375	(14,417)	64100	Materials & Supplies	18,795	4,125	(14,670)	4,500 (14,295)
519	1,064	545	64110	Freight & Handling	7,277	11,699	4,422	12,763 5,486
112	150	38	64440	Equipment Rental	1,081	1,650	569	1,800 719
82	30	(52)	64700	Equipment Repair & Maintenance	315	330	15	360 45
	50	50	64720	Building Repair & Maintenance		550	550	600 600
145	142	(3)	64800	Uniforms & Laundry	1,791	1,558	(233)	1,700 (91)
	20	20	64810	Continuing Education		220	220	240 240
	10	10	64820	Mileage		110	110	120 120
	5	5	64821	Meals & Special Events	102	55	(47)	120 18
	10	10	64830	Dues & Memberships	192	110	(82)	120 (72)
1,683		(1,683)	64895	Inventory Over/Short- Purchasing	(3,498)		3,498	
24		(24)	64940	Service Contracts	179		(179)	
28,622	24,525	(4,097)		Total Expenses	245,466	281,330	35,864	305,915 60,449
Other Cost Recovery								
105		105	5385...	Other Income	104		104	104
105		105		Total Other Cost Recovery	104		104	104
25,493	25,493		53300	Trust Admin. Cost Recovery	280,423	280,422	1	305,915 (25,492)
25,598	25,493	105		Total Cost Recovery	280,527	280,422	105	305,915 (25,388)
Off Budget Items								
2,760		2,760	5390...	Materials Recovery	37,300		37,300	37,300
2,760		(2,760)	64150	Materials Pass Thru	37,300		(37,300)	(37,300)
(3,024)	968	(3,992)		Net Income / (Expenses)	35,062	(908)	35,969	35,062

Budget Variance Report - Nov 2014

Purchasing - CC#32

<u>GL Code</u>	<u>Account Description</u>	<u>YTD Variance</u>	<u>Explanation</u>
61000	Salaries & Wages	\$ 29,903	Open positions in purchasing
64100	Materials & Supplies	\$ (14,670)	Warehouse Shelving Update applied to 64100
64110	Freight & Handling	\$ 4,422	Utilizing prepaid shipments
64895	Inventory Over/Short	\$ 3,498	Inventory Adjustments were made to clear negative inventory balances.

Total Explained Variances	<u>\$ 23,153</u>
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Month	Days	Purch Cash Sales	Mat'l Reqs Processed	Receipt Trans Processed	Walk-In Sales	Recorded Contractors	Purchase Orders	Total Services
January	22	\$ 2,439.40	673	130	148	20	241	1212
February	19	\$ 2,139.70	703	172	163	27	242	1307
March	21	\$ 4,502.39	741	163	176	29	222	1331
April	22	\$ 3,360.12	738	142	141	4	193	1218
May	21	\$ 3,347.50	748	78	163	46	151	1186
June	21	\$ 3,854.66	717	120	149	52	185	1223
July	22	\$ 2,883.20	726	139	146	34	213	1258
August	21	\$ 3,786.00	706	155	157	38	202	1258
September	21	\$ 6,112.32	679	169	176	42	240	1306
October	23	\$ 4,106.96	715	208	207	19	240	1389
November	19	\$ 3,310.33	609	97	149	29	192	1076
December								0
Total	232	\$ 39,842.58	7755	1573	1775	340	2321	13764
Daily Avg		\$ 171.74	33	7	8	1	10	59