

SCM Finance Committee Meeting

Minutes

June 8, 2021

Via Teleconference

Attendees

Present

Duane Gillman Chairman
Greg Harmon Vice Chairman
Lauren Van Tussenbroek Treasurer
Dennis Regan Member

Guests

Phil Crapo SCM General Manager
John Davis Facility Director
Donna Eads * Board of Directors
Karen Sennes Merrill
Lionel McCray Hester & Heitel
Clint Warrell Vice President, Large-Scale
 Communities – Seabreeze
Phil Bateman Hillburn and Lein
Greg Hernandez Accountant – Seabreeze

Absent: Larry Saunders

Larry Sanders, Member
Robert Leroux, Member

The meeting was called to order by Duane Gillman June 8, 2021 at 9:00 a.m. Pacific time. The following actions were taken:

1. The minutes of the May 11, 2021 SCM Finance Committee were reviewed. Duane Gillman made a motion to approve the minutes. Greg Harmon seconded. Vote was unanimous.
2. **Reserve Investments – Karen Sennes (Merrill)**
Merrill is building up cash balances to cover the capital improvement projects regarding sports courts, etc. They are awaiting direction from the Finance Committee regarding disbursement of funds.
3. **Insurance – Lionel McCray – Hester & Heitel**
Hester & Heitel does not see any issues with rates as the market is pretty stable right now. There are no risk management issues that need to be addressed. Our facility is running well and controls are in place. At this point in time, the extreme drought in the West would not have an impact on our rate.
4. **Trends**
No report available at this time.
5. **Audits – Sun City Mesquite and Anthem Mesquite Master Homeowners' Assn.**
Phil Bateman advised that there is a new revenue recognition standard which says that any monies collected on the reserve account will be considered a liability until expenses are actually incurred. A new lease standard is also being implemented for 2021. Phil will work with Greg Hernandez regarding those changes as well as the payroll adjustment made in January 2021.

The overall audits went very well. Branding Iron could handle a one-time transfer to the Reserves, depending on Reserve fund percentage. A transfer was made from surplus in the Sun City Mesquite Operating Fund to the Reserve Fund in the amount of \$138,000. Sun City Mesquite, Branding Iron, and

Anthem Mesquite Master each brought in more revenue and spent less than budgeted. Adjustments were minimal.

Collections should be reviewed and budgeted for uncollectable accounts. There was no information as to whether Senate Bill 183 passed and its ramifications regarding collections. There were two items in collections. One has been paid, and the other is in the process of completion.

Greg Harmon noted there was a discrepancy in the Sun City Mesquite Financial Statements for 2021. Phil Bateman advised this was due to adjustments in personal property (i.e. exercise equipment, computers, golf carts, etc.) where it was fully expensed and then depreciation was taken over time.

Two open items include labor paid in Jan 2021 and the personal property items that were capitalized. Phil Bateman will provide a list of these items to the Committee. Information will be revised as soon as those items are received. Once the audit is approved by the Board, all necessary adjustments will be posted.

Reserve Analysis Report – Sun City Mesquite and Anthem Master Homeowners’ Assn.

Duane Gillman thanked Greg Harmon and his committee for their work on the reserve analysis study. Greg Harmon noted that the present reserve study is preliminary and is subject to adjustment of two items. 1) The correct amount required for the pickleball and tennis courts and 2) The amount to be transferred from the Operating to the Reserve Fund. These need to be examined and approved by the Board as they are preliminary calculations only.

Greg expressed concern that the numbers for Anthem Mesquite Master will be seriously depleted and there are currently no plans to correct that. The suggestion was made that the funds used for TDS be applied as the HOA will be cancelling the TDS service. Lauren Van Tussenbroek has a forecast budget that could address this AMM concern which will be available at the end of the month. She will supply this information via screen only. No printed copies will be available.

Duane Gillman made a motion to accept the reserve analysis reports as presented. There was no second. Motion not approved.

6. Capital Expenditures – Phil Crapo

None

Next Meeting

The next Finance Committee meeting is scheduled for July 13, 2021 at 9:00 a.m. (Pacific time)

7. Adjournment

Duane Gillman made a motion to adjourn the meeting at 10:14 a.m. Greg Harmon seconded. Vote was unanimous.

Respectfully submitted,

Barbara Rechcygiel