

**Minutes
Colonial Village III
Board of Directors Meeting
19 January 2004**

Call to order:

With a quorum present the meeting was called to order at 6:35 p.m. Present at that time were, Stanton Stafford, president; Dennis Gerrity, secretary; Charles Vanderlyn, member-at-large; unit owner Lorraine Eide; and association manager George Hedrick. Michael McGregor, vice president, and Gary Ehrlich of CVIII's accounting firm, Geimer, Ehrlich & Associates, arrived shortly after the start of the meeting

Proof of Notice of Meeting:

All unit owners in attendance acknowledged the timely receipt of notice of this meeting.

Resident Forum:

Ms. Eide's comments are found under "New Business."

Reading and Approval of Minutes: Mr. Vanderlyn moved that the minutes of the 17 December 2003 meeting be approved without change. Mr. Stafford seconded this motion, and Messrs. Stafford, Gerrity and Vanderlyn voted to approve it, Mr. McGregor not yet present.

CVIII's Accounting Procedures:

Members the board raised questions during the past year with respect to Geimer, Ehrlich & Associates, CVIII and CMI's compliance with standards for independent auditing found in the Sarbanes-Oxley Act. The board also had questions on the temporal allocation of expenses under the accrual system of accounting that CVIII used, CVIII's income tax liability, and accounting procedures for writing off bad debt. Mr. Hedrick suggested that a representative of CVIII's accounting firm be invited to answer these questions at a board meeting. Mr. Gary Ehrlich of Geimer, Ehrlich & Associates was kind enough to attend this meeting. **Compliance with the Sarbanes-Oxley Act:** Mr. McGregor asked Mr. Ehrlich if he or his firm had any ownership or other business relationship with CVIII, CMI or any member of the board that constituted a violation of the Sarbanes-Oxley Act. Mr. Ehrlich told the board that he and his firm were fully compliant with applicable provisions of the Sarbanes-Oxley Act in their business dealings with CMI and CVIII. **Allocation of Expenses on an Accrual Basis:** The board told Mr. Ehrlich that \$4,020.59 of landscaping work done in 2002 was charged to 2003's books because a contractor was late in submitting his bills. Mr. Ehrlich told the board that this \$4,020.59 could be moved from 2003 to 2002's books without materially changing the conclusions of his audit of CVIII's books for 2002. The board asked him to do so. **Income Taxes:** Mr. Ehrlich explained that CVIII was liable for federal and state income tax on unrelated business income, which was the interest income from its investments and income from coin-operated laundry machines less deductions for utilities and janitorial service. CVIII could file as either a corporation or a condominium owners association. If CVIII filed as a corporation, then its federal liability would be 15%, less a small allowance for paying CMI to manage its investments. If CVIII filed as an owners association, then its federal liability would be 30%. CVIII's liability for state income tax was 6% regardless of how it filed. Mr. Ehrlich told the board that he had been doing CVIII's books for ten years and he had always filed CVIII's taxes as a corporation. **Accounting Procedures for Bad Debt:** The board noted that CMI prepares a balance sheet on an accrual basis for the board's monthly

meetings, which shows CVIII's assets being reduced by an "allowance for doubtful accounts." This allowance amounted to \$6431 in December 2003. Mr. Ehrlich explained that when his firm audited CVIII's books at the end of the year, it was required to give a realistic statement of CVIII's assets. This meant that if CVIII had delinquent assessments that it did not have a reasonable expectation of collecting, then a statement of CVIII's assets must be reduced by a corresponding amount, i.e., an "allowance for doubtful accounts." The board asked and Mr. Ehrlich confirmed that this allowance approximated the sum of assessments delinquent ninety days or more from the year of the audit or earlier. The board asked Mr. Ehrlich if the write-off of delinquent assessments more than ninety days should be shown as reductions in accounts receivables and allowances for bad debt on CVIII's balance sheet or as bad debt on CVIII's income statement. Mr. Ehrlich said that if the board decided to write off delinquent assessments that were more than ninety days old, then such a write-off could be shown as reductions on CVIII's balance sheet. **Working Capital:** Mr. Hedrick asked Mr. Ehrlich for an explanation of account #35000 on CVIII's balance sheet, titled "Working Capital Fund," which had shown an unchanging negative balance of \$3,244.83 for the nearly four years he had served as CVIII's association manager. Mr. Ehrlich said that when CVIII was formed unit owners were required to deposit an initial assessment in an amount equal to two months assessments. This amount was not to be credited toward owners' regular monthly assessments, but treated as a working capital contribution and utilized toward the start-up costs of the owners association. Mr. Ehrlich said this account was no longer relevant to the operation of CVIII and that he would work with CMI's accounting staff to remove it from future statements of CVIII's accounts. **Reserve Accounts:** Mr. Ehrlich inquired about the criteria the board followed in accumulating reserve funds to cover the cost of replacing and repairing long-lived commonly owned assets. The board told Mr. Ehrlich that Article VI, Section 2, paragraph (c) of CVIII's bylaws and the Virginia Condominium Statute governed its actions with regard to repair and replacement reserves. The latter requires that owner associations have a professional review of their reserve accounts by a civil engineering or similar type of firm every five years and that contributions to reserve accounts reflect recommendations made in that review. The board told Mr. Ehrlich that CVIII had been making contributions to its various reserve accounts based on a review of CVIII's common elements made in 2000 by Thomas Downey, Ltd. The board said that it planned to have another such review made in 2005. **Investment of Reserve Funds:** Mr. Ehrlich asked the board about the types and length of terms of securities in which it invested CVIII's reserve funds. The board said that it invested in government issued and government insured securities as required by Article VI, Section 2, paragraph (c) of CVIII's bylaws. These securities had terms of three years or less. Mr. Ehrlich commented on the low interest rates these CDs were paying. He suggested that the board improve the yield on some of these funds by investing them in securities with terms between five to ten years.

Reports of Officers:

None.

Management Report:

Physical Plant: Mr. Kiman was not present at this meeting. Mr. Hedrick told the board that there had been no unusual maintenance problems during the past month. The board noted that mailmen who serviced CVIII were not using the olive colored **relay box** located adjacent to the northeast corner of the parking lot. The board asked Mr. Hedrick to contact the Post Office about removing this box. The board asked and Mr. Hedrick agreed to have "For Sale" signs removed from two windows in unit #159 at **1817 Queens Ln.**

December Financial Update: Mr. Hedrick reported that, after deducting \$6,308 in errors and correcting for an omission of \$1,166 in the December financial report, CVIII had a year-to-date operating deficit of \$3,596.54 as of 29 December 2003. Mr. Hedrick told the board that this

deficit could be attributed to either of two factors: (i) Hurricane Isabel, which left tree maintenance costs \$6,837 over budget; or (ii) 2003's near record snowfall, which left snow removal costs \$6,343 over budget. Details of the December financial report are available for unit owner review at the CVIII office.

Asset Management: After review, the board decided to improve the yield on CVIII's investments by consolidating two money market accounts. Mr. Stafford moved that the board authorize CMI to close CVIII's money market account with Acacia Federal Savings and Loan and deposit the \$43,534 it contained in CVIII's money market account with Virginia Commerce Bank. Mr. Gerrity seconded this motion, and it was approved unanimously. The board asked and Mr. Hedrick agreed to provide it with reinvestment options for a \$63,732 CD with Capital One maturing on 13 March 2004.

Correspondence: Mr. Stafford brought to the board's attention a letter from Eric Nicoll, a resident owner in CVIII for more than ten years, in which Mr. Nicoll expressed enthusiasm for the board's plans to improve CVIII's landscaping. In particular, he urged the board to replace the White Pines on the north and south sides of the parking lot because they drip sap on vehicles, which damages their paint finish. Mr. Nicoll also suggested reserving spaces in CVIII's parking lot for unit owners who actually live in CVIII. This would encourage more owners to stay in CVIII rather than rent their units, which he felt would be in the best interest of all of CVIII's owners.

Committee Reports:

None.

Old Business:

Landscaping Update: The board asked and Mr. Hedrick agreed to find what size were the Nellie Stevens Hollies discussed in McFall and Berry's proposal dated 10 September 2003.

1729 Queens Ln. Replacement Chimney: Mr. Hedrick told the board that Consolidated Waterproofing had informed him that it was still trying to resolve permitting problems with Arlington County, but remained hopeful that it would be able to begin replacing the chimney behind 1729 Queens Ln. in February 2004 weather permitting.

Replacement Doors Building Entrances: Mr. Hedrick told the board that Precision Door had still not honored its commitment to install nine replacement building entry doors. The board discussed the possibility that Precision was no longer interested in supplying and installing these doors in CVIII.

Storm Drainage: Mr. Hedrick told the board that he had received bids on storm drainage improvements for Buildings Two and Four from Hix & Sons (\$21,356) and ValleyCrest (\$23,075) and expected to receive a bid from Newborg Drainage and Landscaping shortly. The board noted that the bids of Hix and ValleyCrest were not comparable because ValleyCrest's bid omitted work on the south side of 1808 Queens Ln. and the west side of 1804 Queens Ln. and included hillside turf repair behind 1821 N. Rhodes St.

Pole Lamps 1816-1817 Queens Ln: Mr. Hedrick told the board that he had received bids from PSE of \$4,490 and Kolb Electric \$5,200 to replace three bollard style lamps located between 1816 and 1817 Queens Ln. with two pole lamps. He said he was still waiting for a bid from Contemporary Electric Services on this project. He asked and the board agreed to put off a decision on this project until he received a bid from this third firm.

Common Element Circuit Breaker Maintenance: Mr. Hedrick told the board that PSE had completed preventative maintenance of electrical distribution equipment in ten house panels. It found that the metal boxes housing these switches were badly rusted and some would need to be replaced in the near future. The board asked and Mr. Hedrick agreed to obtain bids from at least three firms to replace these panels.

Unauthorized Commercial Sign: The board discussed a complaint that a sign advertising Drs. Gentry and Coutin-Gentry's dental practice had been hung outside the entrance to 1831 Wilson Blvd. without permission from CVIII's board, Arlington County's Historical Affairs and Landmark Review Board (HALRB), and Arlington County's Zoning Administration. Mr. Hedrick told the board that Article XI, Section 1, paragraph (i) of CVIII's bylaws stated that "...no signs of any character shall erected, posted or displayed on, in, from or about any Unit or Common Elements without the prior written permission of the Board of Directors," and the board had not approved this sign. The board asked Mr. Hedrick to inform Drs. Gentry and Coutin-Gentry in writing that it had received and reviewed this complaint and, while its first choice for a sign for their office would be one identical in size and shape to those currently used to direct visitors to various addresses within CVIII, it would approve the sign they currently had installed outside the entrance to their office if they obtained approval for this sign from Arlington County's Historical Affairs and Landmark Review Board (HALRB) and Arlington County's Zoning Administration.

New Business:

Hallway Light Fixtures: Mr. Hedrick informed the board that residents moving in and out of buildings had damaged many of the diffusers for the fluorescent light fixtures in residential hallways. CVIII would have to replace entire fixtures because replacement diffusers for these fixtures were no longer being manufactured. He asked the board to choose between a circular fixture 25½" in diameter emitting 5800 lumens costing \$82 and a 26" square fixture emitting 5700 lumens for \$186. He noted that both these fixtures emitted twice as many lumens as did the existing fixtures. After discussion, the board decided to purchase two of the circular fixtures and install them in a building with four two-bedroom units on a trial basis. Mr. McGregor moved that the board authorize the purchase of two F2081-36E1 fluorescent fixtures for a total of \$164 from Dominion Electric Supply Co. Mr. Stafford seconded this motion, and it was approved unanimously.

Website for CVIII: Ms. Eide told the board that she had looked into what would be needed to establish and operate a basic website for CVIII and found that that software — Microsoft's FrontPage2003 — needed to set up and operate this site would cost \$200. Ms. Eide reviewed several ISPs with the board and recommended EarthLink, which charged a \$25 setup fee and \$25 a month for Internet service, as a web host. She volunteered to set up this website if CVIII would pay for the software and the ISP. With expressions of gratitude all around, the board accepted Ms. Eide's offer. Mr. Gerrity moved that CVIII authorize \$200 for the purchase of Microsoft's FrontPage2003 and \$325 for a startup fee and one year of Internet service from EarthLink. Mr. Stafford seconded this motion, and it was approved unanimously. With the hope that it would be available, the board chose www.colonialvillageiii.com as a domain name. Mr. Gerrity and Mr. Hedrick agreed to supply Ms. Eide with material for this website.

Common Element Carpeting: Mr. Hedrick informed the board that he had received a bid of \$1,158 from Dave's Carpets to supply CVIII with sixty square yards of Mohawk Structures 874 carpeting in the color of Industrial Olive. He said that he was waiting on a bid for same amount and type of carpeting from Commercial Carpets. This carpeting is intended to replace portions of the common element carpeting installed in 2003 that suffered irreparable damage prior to the end of its expected fifteen-year service life.

Reserve Account for Electrical Equipment: The board asked and Mr. Hedrick agreed to establish a reserve account effective 2005 to cover the cost of repairing and replacing common element electrical distribution equipment and common element lighting such as fluorescent fixtures and exterior pole and security lamps.

Brick Sidewalks: The board discussed a suggestion that the appearance of CVIII's grounds would be improved significantly if brick rather than concrete were used when CVIII's sidewalks needed to be replaced. Mr. Hedrick told the board that brick walkways would be more expensive

than concrete walkways, but if installed over a concrete base they would have a service life comparable to that of concrete. Members of the board noted if this suggestion were undertaken, it would be done in a piecemeal fashion over a number of years. The board decided to solicit the opinions of CVIII's owners on this project in an upcoming edition of the newsletter.

Keyed Entry Gates to CVIII's Grounds: Mr. Stafford relayed a suggestion to the board from George Hinkins that CVIII consider building a brick and wrought iron fence with a gate between 1816 and 1817 Queens Ln. similar to the fence that now extends between 1720 and 1721 Queens Ln. This would improve the appearance of CVIII, but more importantly, if locks were installed on these gates, a significant number of pedestrians who were not residents could be excluded. This would increase the security of CVIII's residents and reduce the amount of vandalism that CVIII has experienced in recent years. Guests would still have access to the complex via the entrance to the parking lot and the two Rhodes St. walkways. The board decided to solicit the opinions of CVIII's owners on this project in an upcoming edition of the newsletter. If interest were widespread, then the board would get estimates of the cost of this project and get back to owners.

Building Four's Trash Room: Mr. Stafford relayed another suggestion to the board from George Hinkins: CVIII should consider enlarging the trash room in Building Four (1801 through 1817 Queens Ln. and 1801 through 1821 N. Rhodes St.) Mr. Hinkins said that the existing trash room was too small for the sixty units in Building Four. The board decided to investigate whether expansion of this trash room was warranted, and if so, whether it was feasible or there was space for a second trash room in Building Four.

Executive Session:

Mr. Gerrity moved that the open session of this meeting be adjourned at 8:35 p.m., and the board go into executive session. Mr. Stafford seconded this motion, and it was approved unanimously.

The next board meeting is scheduled for 6:30 p.m. on 24 February 2004 in the conference room in the CMI office at 1903 Key Blvd. The board asked Mr. Hedrick to include in the notice of this meeting that the board planned to hold an abbreviated session lasting no more than a half hour.

Mr. Gerrity moved that this meeting be adjourned. Mr. Vanderlyn seconded this motion, and it was approved unanimously at 8:45 p.m.