



fiscal control in kala point

Most Of Us Have Felt The Financial Pinch

Like it or not fiscal control has been the hot topic in our newspapers and on tv. Government spending, the economy, world affairs, the banking industry, health care, oil prices and many other elements are all contributing factors. Governments are tightening their budgets till it hurts, till it really hurts.



Most of us also have felt the financial pinch whether it be reduced interest income, investments or paychecks.

In this spirit of fiscal control, it is imperative that we as the membership, as well as our Board and committees, all do our part tightening our belts as much as possible through the budget and our assessments. A tight

budget and reduced assessments will help all members short and long term by:

- Making our properties more competitive: increasing home sales and property resale values.
- Helps those who are on a fixed income to afford staying in Kala Point.
- Increases personal funds for all members to afford uncontrollable increases, such as fuel and insurance costs, or to directly help others.

Thus this month's edition encompasses two articles regarding Kala Point's budget and assessments.

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Managing Editors:

Jay Burcham
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Contributing writers include other named and unnamed individuals, all owners within the community, expressing their own viewpoints in this forum. Articles without a byline are presented by the editorial staff.

Please feel free to participate in any way, from submitting articles and/ or opinions to volunteering in some capacity. Thanks and we look forward to your input. Email us at contact@ttnnewsletter.com.

the annual budget/assessment process

One Of The First Steps Is To Develop Goals

Last month’s article covered the purposes of a Homeowner Association (HOA) which is to manage & maintain a community’s common areas. Similar to a business one of the first steps is to develop goals.

ANNUAL GOALS: For Homeowner Associations these goals are annualized formally, typically coordinated by a Finance Committee, via the budget. The budget draft is then reviewed and approved by the Board.

“There are two major keys to budget acceptance by the residents; involvement and communication...Allowing input from residents

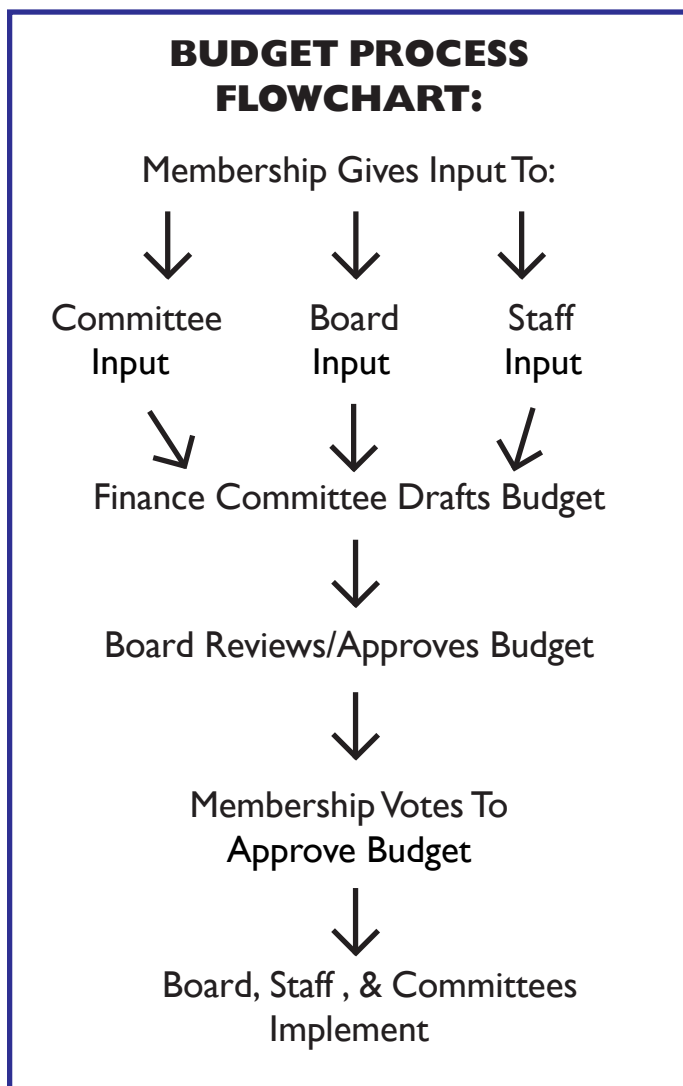
during budget preparation can provide the Board with valuable insights..also put residents more at ease by virtue of the opportunity to be heard...raising the level of trust in the Board of Directors and creating a sense of community...Involvement should start early in the budget preparation process...Mailing residents specifically targeted surveys is a great way to gather opinions.” Source: “Presenting the HOA Budget by Jeff Gourlie, associationtimes.com.

VOTING: The detailed annual budget, including the proposed assessment, is presented to the membership for their voting approval. The approved budget is the specific “marching orders” given by the membership to the board, staff & committees to follow during the next year.

Many of us have been employed by for-profit businesses whose budget is approved only by management or a board. An Association budget approval process differs greatly. The above process makes perfect sense as is exemplified in the name: **HOMEOWNERS’** Association. The homeowners, the membership, are the owners and ultimate decision makers. The board, staff and committees execute their duties by implementing the memberships’ aggregate decisions based upon the approved annual budget.

One could compare this to our bodies in which the brain makes the decisions (the members) while the arms and legs (board, staff, committees) carry out the decision.

ASSOCIATION ACCOUNTING 101: What comprises the budget? There are just a few simple terms to be familiar with which will help in understanding our annual budget process: operating budget and reserves.



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Operating Budget: this represents the day-to-day operations. The operating budget's expenses include wages, benefits, utilities, attor-

“There are two major keys to budget acceptance by the residents; involvement and communication... Allowing input from residents during budget preparation can provide the Board with valuable insights..”

ney fees, outside accounting, etc.. The operating budget's revenue primarily is from our annual assessment. Other revenues include user fees (such as boat storage), interest and lease income.

Reserves: this represents funds to be set aside for future maintenance/replacement of specific assets. This includes roads, buildings, pier, tractor, pool.

FOOD FORTHUGHT: In order to review and approve our annual budget:

- Have you/the membership been a part of the initial budget input to develop annual goals?
- Do you know what KPOA memberships' annual goals are?
- Is the budget review documentation of income and expenses detailed yet in a simple format?
- Are there explanations for any significant increases or decreases for each budget account?

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implementing the budget

A Well-Defined Annual Budget Becomes A Clear Road Map

MONITORING THE BUDGET: Throughout the year a board monitors the economic condition of the association through periodic,



usually monthly, financial reports. The financial reports reflect income and each expense account. For any account with significant over or under spending, variance commentary is provided to

explain the difference. For example if propane utility costs were budgeted at \$1,000, but actual spending was \$1,300 commentary may be “costs budgeted at \$1/gallon, actual cost at \$1.30/gallon”.

BUDGET CHANGES: What if goals change during the year which impacts expenses? Washington, as well as most states, have straightforward laws pertaining to Homeowner Associations (RCW64.38) regarding the budget/assessment process summarized as follows:

“The board of directors shall not act on behalf of the association to...take any action that requires the vote or approval of the owners...”

“...after adoption by the board of directors of any proposed regular or special budget of the association, the board shall set a date for a meeting of the owners to consider ratification of the budget...,”(then details membership vote process) “...In the event the proposed budget is rejected or the required notice is not given, the

periodic budget last ratified by the owners shall be continued until such time as the owners ratify a subsequent budget proposed by the board of directors.”

”The notice of any meeting shall state the time and place of the meeting and the business to be placed on the agenda by the board of directors for a vote by the owners, including...any budget or changes in the previously approved budget that result in a change in assessment obligation...”

Per the above and common sense it appears that:

- Membership votes to approve the annual budget: the income, expense and reserve detail as well as the assessment rate.
- The board expends funds only for those items specified in the membership-approved budget.
- During the year if there are unforecasted expenditures (in aggregate or individually) the budget is updated and voted upon by the membership.
- The board expends funds only for those items in the newly approved budget.
- If the revised budget is not approved by the membership the former budget remains in place.

Of course this does not mean that if spending for any given expense exceeds \$1 that a new budget must be approved. Well-managed associations have variance guidelines either as a percentage and/or absolute amount. For example the budget will be revised for any operating account which exceeds 5% and \$2,000. Per the above the revised budget would then be voted upon during the year.

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Ok, it appears that associations are not to overspend in aggregate or significantly overspend by any specific account. What if during the year actual spending is significantly less than budgeted? Yes, that is good news, or is it? It could mean the budget was “padded” thus it wasn’t a fiscally conservative budget. During the year this could be a temptation as “found money” to fund pet projects. However, the operating budget and the reserves is not one big pot of money to draw from. Expenditures are only to be made if specifically approved in the budget.

SUMMARY: A well-defined annual budget becomes a clear road map for the Board to implement with any revisions to be approved by membership vote. This fosters open communication, raises the level of trust, creates sense of community and simplifies the Board’s tasks.

FOOD FORTHOUGHT:

- Have you reviewed KPOA’s financial reports? If so are they user-friendly and are spending variances sufficiently explained?
- Over the last few years has KPOA’s budget been significantly over or under spent?
- Have significant over or under spending items been adequately explained?
- What is KPOA’s spending and budget revision procedure for handling any specific item which is not in the annual budget?
- What is KPOA’s procedure on initiating a project, which could create future costs, without first having a membership vote?



personal finance

Is It Too Late to Invest in Gold?

By: Hank Krist

In December, 2007, I wrote an article for this newsletter titled “Investing in Gold.” At that time, the price of gold was approximately \$800/ounce. Today, with the price over \$1400 an ounce, I’ve been asked many times if it’s too late to buy. Conventional wisdom would say that it is, but I don’t think so. Traditionally, gold, and to some extent silver, have been thought of as a hedge against inflation. Historically, that’s been true although they haven’t been a perfect hedge depending on the rate of inflation. Since the financial crisis of several years ago, we have had very low inflation, at least if you believe the CPI, but the price of gold and silver have been very strong. Why is that? One reason is that short term interest rates for financially strong borrowers are very low which makes the carrying cost of owning precious metals very low. I believe that the major reason, however, is the rapid decline of the value of dollar.

The financial crisis resulted in the Federal Reserve and the U.S. government taking unprecedented steps to restore confidence in the economy. As a result, we have a projected budget deficit of \$1.5-1.6 trillion for fiscal 2012 and future deficits of approximately \$1 trillion per year for the next 5-6 years. If that projection is even remotely accurate, our total federal debt in six years could be an unheard of \$20 trillion! If the average interest rate on that debt is 5%, the U.S. would have an annual interest obligation of \$1 trillion! That is a figure which I doubt anyone could comprehend. Today, due to historically low interest rates for the last few years, the average interest rate across the maturity spectrum in

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approximately 2%. Rates cannot remain that low for much longer. The Federal Reserve and the government will always choose inflation over deflation and will do anything to achieve their goal. That means higher interest rates – probably much higher! We have already had Quantitative Easing I (QE1) and are halfway through QE2 which is scheduled to end in June. The economy is still sluggish, and with the recent problems in Japan, I would not be surprised to see QE3. As more dollars are created by the Federal Reserve to counter deflationary pressures, the value of each dollar declines in value.



Gold and silver have a history of being “real money” as opposed to “fiat” money used by every country in the world. The first gold coins were minted in 560 B.C. in Lydia, now a region in Turkey. Fiat money is not produced by a printing press but by a few keystrokes on a computer. Gold and silver, however, have to be produced through a great deal of effort and expense, an ounce at a time.

As I stated in the December article, there is a place in an investment portfolio for precious metals if the investor has some discretionary income or assets and does not need current income from them. An investment of 5%-10% would not be out of line. The price of precious metal can be very volatile, however, so an investor should be

prepared for that. Gold could drop \$100-200 in a matter of several weeks. If you’re not prepared for that, don’t buy it! Over the long run, however, I believe that the price of gold and silver could go much higher.

“Gold could drop \$100-200 in a matter of several weeks. If you’re not prepared for that, don’t buy it! Over the long run, however, I believe that the price of gold and silver could go much higher.”

We have not yet reached the third stage of an investment cycle where the public jumps on the bandwagon to own precious metals. After all, most brokers and analysts continue to disparage any investment in gold or silver. Based on what I think our future holds, if I had to guess what the price of gold might reach in the next 2-3 years, I wouldn’t be surprised if it reached \$2500-\$3000/ ounce. Remember, that’s a guess! There is no way we can work our way out of this mountain of debt in a traditional fashion. Throw away the textbooks! If there was ever a time for original thinking, it is now! As the desk sergeant used to say in “Hill Street Blues,” “Be careful out there.”



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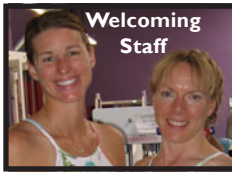
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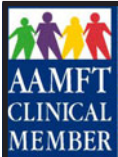
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Kala Point News & Views

the sea glass odyssey

Journey into Sea Glass (Part IV): Sea Glass Art

Sea glass is collected yearly by thousands of beach goers and is usually found along the beach after a high tide and storms.

Sea glass pieces range in size from tiny chips to larger intact chunks of bottles, tail lights, windows or whatever other glass debris may have been tossed into lakes, rivers, seas and oceans by man, either through intent or accident.

The transformation these pieces go through before landing on the shores once again is nothing short of a marvel.

Many people collect these pieces and simply store them on a shelf at home, in

a jar right next to the seashells. Their beauty lies in their colors, especially when light is shown through them and because of that, some collectors will eventually turn this debris into some truly astounding art.

Whether you craft or simply collect, artwork done with sea glass can be the most beautiful items found. For sea glass project and craft ideas, go to www.odysseyseaglass.com.



Scottish Fishermans Museum

fads and other fables

From Michelle at Evergreen Fitness

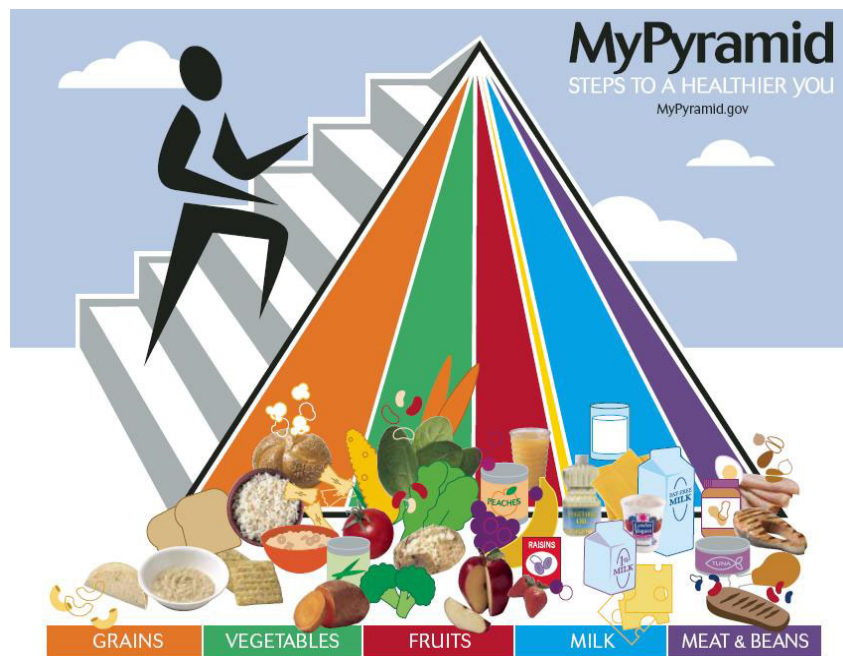
A girlfriend asked me the other day about a shoe someone she knew had bought that was supposed to help them loose weight. Huh? Then we went to Costco and there they were (at least one version)...their claim to fame was that by simply wearing these shoes you would lose weight. I guess I could kind of see where they were going with this one; an almost astronaut-like design, and how they could convince avid weight loss seekers that the rounded heel could actually cause the person to work harder while they walk. They claimed other benefits too, but I'm talking weight loss.

I toured a prospective member last week here at Evergreen Fitness and like many, one of her goals was to lose weight. I asked her if she knew how many calories in a day that she ate. She replied, "no, but I just bought this great new mini oven...it's transportable. It kind of like a convection oven and yet the way it is shaped all the grease runs off. It's really cool!"

All I could think of is a glorified 'George Forman', now shaped like an oven and taking up even more

room on my kitchen counter. Nice. So I asked her again about her normal diet. Again, I was evaded with a comment that went something like, "I followed this diet plan once and it really worked; I lost weight!" I mentioned that most 'diets' work when you follow them, then we quit and go back to our regular eating and the weight returns...and then some. I think I lost her.

An acquaintance of mine, who, you guessed it, is trying to lose weight, sent me a text this week that said she found out she was anemic and wanted to know what foods contain iron. So I sent her a list of high iron foods; red meat, egg yolks, spinach, collards etc and she replied by asking me if cheese contained iron. Heavy sigh. She wants to lose 30 pounds in 30 days and she's not *that* overweight. My heart goes out to her. She, like the gal with the new counter top oven and all the thousands of people that have weight loss shoes....my heart goes out to them. The weight loss industry is a billion dollar a year industry. It is amazing what people will spend to try a new pill, or gadget, or buy the latest new diet book that all the stars are following in Hollywood.



I think we could be a whole lot healthier by being educated on the foods we eat and realizing the lack of nutrition in the average American diet. And we might even lose weight along the way. Do we really think the 10-for-\$10 budget frozen meals contain the nutrition we need?

I continue to be amazed over and over again at how people really do not know what is in the foods they eat, or are even aware of what their nutritional needs are. How can we change this? Just like we change anything else I guess. First must come the desire to want to change;

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Fads and Other Fables

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the desire to know, the desire to want to be healthier. And like I stated last month; change is a very difficult thing. We avoid it; even at times when the change could result in a positive result.

What are some little ways we can start? At the risk of sounding redundant, first, know how many calories you are eating. Other ideas to ponder:

- Get to know your foods; eat simple foods; on packaged and prepared foods if the 'ingredient list' is really long, try avoiding it. It probably has a lot of fillers and preservative; you won't find an ingredient list when you are cooking up things like lean meat and steaming vegetables and eating apples and melons.
- I might suggest reading **'In Defense of Food'**....It talks about our 'Western Diet' and how we all need to go back to the 'Traditional Diet' It's a VERY informative book
- Try brown rice and legumes; together they equal complete protein at a lower cost than meats, and add nutrients and fiber too.
- Drink water; most of us do not drink enough of just water. See if you can get the water you are drinking tested to make sure it is not acidic. Alkaline is even better.
- Eat a variety of foods each day; we grew up with the food pyramid and it still exist today (slightly modified, I believe in 2005):

You can go to sites like myfoodpyramid.com and get some tips as well!

I would be happy to meet with you as well to get you started on your way to a healthier you. I promise not to tell you to stay away from carrot cake with cream cheese frosting; it's my favorite...homemade of course.

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Level of Difficulty - Easy.

9		3	7	5	6		8	1
2	8			9				
						9		
			5	6		1	2	7
	5	7				6		
	7	8			1			2
4	6				2	7	5	9
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Answers for March Su-Do-Ku puzzle

5	8	7	3	1	2	4	6	9
6	1	2	8	4	9	5	3	7
9	3	4	5	7	6	8	1	2
4	2	1	7	9	3	6	5	8
8	9	6	1	5	4	2	7	3
3	7	5	2	6	8	9	4	1
7	4	3	9	2	5	1	8	6
1	5	9	6	8	7	3	2	4
2	6	8	4	3	1	7	9	5