

MINUTES OF REGULAR BOARD MEETING
SURFSIDE HOMEOWNERS ASSOCIATION
June 20, 2009

B.O.T. Present: Gene Bowen, Jim Flood, Cathy Gabrielson, Chris Hanson, Larry Nelsen, Walt Platt, Debbie Richmond, Gary Williams

B.O.T. Absent: Grant Murrell (Excused)

Staff Present: Ginger Byrd, Bob Haskin, Dinah McCreddie, Jim Meyers, Barbara Robinson

President, Jim Flood called the meeting to order at 9:00 a.m. and opened with an invitation for Floor Comments:

Floor Comments:

Sheila Gordon-Jones, requested a hearing to change the covenants on the maximum height of trees in the division where she lives. She presented reasoning that cutting the trees to this height, weakens them significantly and makes them vulnerable to diseases, fungus and generally to become unhealthy and eventually die. Additionally, she stated that the cost of topping the trees is difficult for members and the view has changed since the water level has receded over the years from when the height covenants were first determined. Gordon-Jones stated she will organize a petition drive to show the board the agreement of the homeowners with her proposal.

The board responded to her intent to submit a petition, stating that in order to be a relevant representation of the opinions of Surfside, it needed to include a sampling of all surfside members, and not just members who live in the height restricted divisions. Additionally, covenant changes must always include a notice to all the members due to the need for a public meeting, which is very costly. Therefore, generally covenant change issues are dealt with at the annual membership meeting, which is held the second Saturday in July. The agenda, election information, newsletter and proposed covenant amendments for this year's annual membership meeting has already been mailed. In order for Covenant issues to be considered for review they should be identified in late winter and early spring. This gives the trustees, general manager, the covenant compliance officer and all the committees involved, time to review them thoroughly and include them in the notice that goes out to all members.

Paul Coffee, concurred with Gordon-Jones, and provided the name of the disease which occurs to the trees as a result of topping them to short, which is called sphaeropsis blight or tip blight pine fungus. Coffee also stated that when the trees are cut down the cuttings are often left on people's property to die and cause a fire hazard.

Mark and Susanne Smith also concurred that the maximum tree heights should be changed, as although changing the covenants costs the association money, but members must pay someone approximately \$2,000-\$3,000 to cut their trees to be in compliance with this covenant. Also he stated he doesn't understand why he has to have trees cut lower than buildings that are closer to the beach, as the buildings on G Street.

Flood asked if there were any further floor comments and none were presented; therefore, the floor comments section was closed. However, Coffee interrupted requesting to speak again and he was denied due to Floor Comments section being closed. However, Coffee continued to speak, explaining that he as a member does not understanding the rules/process regarding the covenants and he thinks that most members don't understand the process. Robinson explained that she would get this information to him. Coffee further stated that he was dissatisfied with the Compliance Officer, Jim Meyer's inability to clean up fire hazards in the Surfside area. It was explained that fire hazards are under the purveyance of the Pacific County Fire District and Pacific County Department of Community Development, and therefore, complaints of this type should be reported directly to the county. If someone's property in Surfside is not "neat and tidy", then it is a covenant compliance issue, and under the jurisdiction of Surfside. Regardless, Meyer explained to Coffee that complaints are not generated from the Surfside office and must first be issued in writing from a member before any action is taken on the part of Surfside. It was suggested to Mr. Coffee that he meet with staff at a later date to further discuss issues and concerns he may have.

Adoption of Agenda and Approval of Minutes:

The agenda was declared adopted as submitted without a vote as there were no objections to the adoption as were the Minutes of May 2009.

Introduction of Board Candidates:

Tom Kennedy, Nominations Committee Chair introduced the five candidates who have submitted applications. He also stated that members can still sign up and submit applications up until the day of the voting, but that they would not appear on the ballot and would be considered a write-in candidate. Four candidates were present at the time of the introduction, including Martin Jenkins, Valerie Harrison (who will be a write-in candidate), and Debbie Richmond. Ann Thoreson was unable to be available due to a previous commitment which was known well in advance and Kennedy read Thoreson's candidate statement since she was absent. The candidate statements were passed out to all members who were present. Candidate John Williams was not present for the introductions, but did arrive later in the meeting.

Questions asked of the candidates:

1. Did any of the candidates foresee a possible situation where the duties of the board might cause a conflict of interest with them and if so how would each candidate address such an issue?
 - Jenkins stated he cannot see any potential conflict of interest.
 - Harrison stated that she cannot see any conflict of interest, other than the possibility of her board responsibilities conflicting with any relationships/friendships she already has with staff or members. In that case she stated she would step away, from the determination process of the issue.
 - Richmond agreed that she would step away from any conflicts with regard to her construction business. Specifically she would not vote on issues that could affect her personally in her business and further stated she wants to make sure that the membership is taken care of prior to her own personal interests.
2. Harrison was specifically asked about her experience and responsibility as treasurer at the local festivals as was reported on her application/resume. She explained that she had counted all the money, gave the money and the count to the chairman of the event, which was then given back to her for verification including individuals counts of checks, cash, including copies made of the checks and and deposits made to the bank. She additionally provided profit and loss statements and treasurers reports at the meetings. She further explained that she has an accounting minor from her college education and is very comfortable with the general accounting process.
3. Jenkins was specifically asked about his experience on developing an annual budget and he explained that he developed entire budgets for retail corporations, including personnel, sales, operating, etc. He has some experience using a computer program for one company he worked for which had developed their own accounting computer system.

Kennedy summarized the introduction, stating that the committee has reviewed all of the candidates' applications and they have all presented with a variety of good and relevant experience dealing with people. In general, the committee is very impressed with all of them. Kennedy also reminded everyone that the candidates would be available (other than Thoreson) the evening of June 20, 2009 at 5:30 at the Surfside Business Office Community Room to answer more questions from members or the Board.

Old Business:

2009 Board Goals Update:

Robinson provided a report showing the progress which has occurred up to date in the board goals. The new improvements were pointed out and notated in red

on the report. Many of the goals have been completed with some yet left to accomplish.

DRAFT Surfside Asset Study Report:

This Asset Study is the result of going through the Schwindt Study that was prepared in 2007, as well as adding recommended assets, which did not appear in the former study, plus subtracting other assets that should not have been on the asset study. This is a draft study and a work in progress and an example of what should be listed. Robinson noted that the report does show only one compactor, when there is actually two. This correction will be made. Robinson requested that the trustees carefully review the document and the items listed to help determine what other assets should be added and/or were missed. Bowen suggested that the board also begin to think about an amount to allocate to this asset study for the year, which would become part of a policy used for budgeting for purchase and maintenance of these assets. This would help with regard to the underfunding of the reserve account, as money would not have to come from the reserve account if a separate account existed for the assets.

Canal outfall maintenance memo:

Robinson has been working to obtain a statement from Pacific County regarding the County's responsibility to maintain, repair, etc. the outfalls from the canal and Seabreeze Lake. She was successful in obtaining written clarification from the county stating that they are fully responsible for all maintenance and repair on the outfalls on the beach and that Surfside is not to perform any maintenance on the beach side of the outfalls. This memo clearly determine that the county will be responsible for the periodic excavation necessary, of the outfalls, which saves Surfside wear and tear on equipment as well as the cost for man hours.

New Business:

Board Policy Operating Reserve:

A new policy was introduced which allows for an increase in the operating reserve from 60 days to a minimum of 90 days but not more than 150 days. The example given for the necessity of this policy was given regarding the money that was authorized by the board to be spent for pipes. This policy prevents the money from being spent someplace else without authorization by the board, which would make sure that the money allotted for pipes is spent on pipes. Yet the policy also gives flexibility to allocate the money to a more urgent matter if necessary.

BOWEN MOVED TO ADOPT THE OPERATING RESERVE BOARD POLICY AS SUBMITTED. WILLIAMS SECONDED. MOTION CARRIED 8-0.

Board Authorization for Signatures on Financial Accounts:

All financial bank accounts must be updated with regard to authorized signers by July or August. Some signers remain on these accounts that are no longer on the board or no longer staff at Surfside.

BOWEN MOVED TO AUTHORIZE GENERAL MANAGER, BARBARA ROBINSON AS A SIGNER ON ALL BANK AND/OR SAVING ACCOUNTS. PLATT SECONDED. MOTION CARRIED 8-0.

Smith Architectural Variance:

Hanson spoke for the Smith variance, as the Trustee of the Architectural Committee. He showed pictures and explained that the Smith's purchased their home with an already existing deck. They are requesting to update their deck by placing the lattice top with a roof and sky lights and enclosing the deck sides with screen. However, they are not requesting to change the footprint of the already existing deck. The variance is requested because the already existing deck is not in compliance with the setbacks of 25 feet from the water line, which are explained in our covenants. This deck is currently located somewhere within 21-23 feet from the water line (ordinary high water mark). Pacific County Department of Community Development staff has been contacted and they stated verbally that because the structure already exists, they would likely recommend approval of the request in the County process. Regardless, it is necessary for Surfside to approve the variance, before the county can take final action. The criteria for approving a variance is specifically outlined in Section 5.6.1(c)(d) of the Surfside Restrictive Covenants and since the existing footprint of the desk is not changing, all criteria appears to be met.

Member, Claudia Justice spoke from the floor, stating that she is not in agreement with approving this variance as according to Justice, approving variances sets precedence for bending the rules and covenants for all members.

The covenant compliance trustee, Williams responded stating that it is Surfside's tendency to match the county guidelines and since the county has already approved this deck and the footprint is not being changed, then the variance should be approved by Surfside. As was described earlier, the variance will have to go before the county again, regardless of Surfside's decision. Hanson agreed, stating that the general feelings of the Architectural Committee is that since there is an existing structure, if the county is willing to speak to the Planning Commission in support of approving the Smith's variance request then the Architectural Committee would go along with the county's final decision.

GABRIELSON MOVED TO APPROVE THE VARIANCE REQUEST OF MARK & SUANNE SMITH'S DECK ROOF AND ENCLOSURE OF AN EXISTING STRUCTURE AS THERE IS NO CHANGE OR INCREASE IN THE EXISTING FOOTPRINT AND ANYTHING BUILT WILL BE WITHIN OR LESS THAN THE EXISTING FOOTPRINT. THEREFORE, THE BOARD DETERMINES THE REQUEST MEETS THE APPLICABLE APPROVAL CRITERIA OUTLINED IN SECTION 5.6.1 OF THE SURFSIDE RESTRICTIVE COVENANTS AND, PENDING APPROVAL BY PACIFIC COUNTY. HANSON SECONDED. MOTION CARRIED 8-0.

AUDIT REPORT:

Phone conference call and live internet meeting with accountant Jim Lanzarotta:

There are four categories of the audit:

Internal control used by staff, board and audit committee. Controls have been looked at in detail. Best practice recommendations will be given.

Everything is in draft form at this point and once he gets feedback from staff and board he will finalize the report before the annual meeting.

Result of the audit: Clean opinion that all of the financial areas have met accounting requirements.

Two types of internal control deficiencies:

Bowen stated prior to Jim Lanzarotta report that Lanzarotta will be using the term "management" which will include not only staff but also the board of trustees.

First, Lanzarotta explained the nature of services which Surfside asked him to provide, what the audit entails and what was found by performing the audit including issues that should be brought to our the homeowners association's attention. Finally an update will be provided regarding where the reserve fund ended up for last year and a briefing will be provided for the tax return of the year

The nature of services include the following: Drafting the financial statement from the reports of the cash activity provided by Surfside staff who have determined (with Lanzarotta's help) yearend adjustments. The financial statements are audited and Surfside's tax return is also prepared, which has already been drafted and is in the review status. The retirement plan for employees of Surfside also requires an informational return and this has also been drafted and in the review process. Additionally, advice has been requested on financial matters.

The audit has been broken down into four categories, and in so doing they look at Surfside's internal controls, including checks and balances used by the staff,

board and audit committee, to make sure that the accounting happens correctly without errors or irregularities. These controls have been looked at more closely in the last two years than in any of the previous years, which have resulted in a number of best practice recommendations to be reported. Most importantly, the part of the audit which must be best understood is the verification of the accuracy and completeness of the transactions and balances provided to the audit committee. Also in Surfside's case, the audit committee actually prepared the financial statements and is now coming before the board to tell the results of these statements. Lanzarotta stressed that everything provided so far, is in draft format so that if there are questions or comments about the wording or the disclosures in these statements then the next week can be used for him to get feedback to prepare the final statements to be provided to the members at the annual meeting.

The result of the audit basically showed that once again the audit committee was able to come up with a "clean opinion" which means they were able to do their work as the financials provided to them by the staff and the board all have the appropriate disclosures and have met accounting requirements.

Lanzarotta covered a discussion on internal control matters, including recommendations for improvements and discussion communications with the Board that are required by professional audit standards.

The final audit will be prepared and presented to the membership at the July 11, 2009 annual meeting.

Jim Flood requested to have this report approximately three weeks sooner than generally received and Lanzarotta agreed to this. His presentation at the annual meeting will be approximately 10-15 minutes and handouts with graphs will be provided to the members.

Bowen requested Lanzarotta's opinion on the correct accounting procedure for how to pay for labor for replacement of water pipe, with regard to whether or not this should be paid from the capital assessment account or from operating expenses account. Lanzarotta explained that the Board has right to charge labor from reserves, or operating expenses. However, he also stated it is common to fund labor out of reserves or the capital expenditure account, if that labor is related to the capital project that meets the needs of the capital expenditures. In accounting financial statements it is appropriate and expected that labor and costs to put a capital asset in service should be capitalized and put on the balance sheet as a cost on the capital asset financial statement.

Incoming/Outgoing Correspondence:

No report.

Meeting and Contacts:

Robinson will go to Woodland for the Evergreen Rural Water Association of Washington conference, in August on funding sources.

Additionally, Robinson explained that the Surfside Office flag pole was put up from donations and put up and the Water/Field Department had other priorities to concentrate on. The lighting for the flag pole was not installed at the same time due to other priorities at the time. Therefore, a member, Bud Graves, volunteered to install the light. Robinson stated that Surfside wants to thank Mr. Graves for his efforts and that a certificate of appreciation be sent.

Additionally, the board stated that they would like to stress at the 2009 Annual Meeting all the efforts of the volunteers including those who have worked for the community but are not serving on committees, etc. Certificates of appreciation could be provided for others at that time as well.

Staff & Committee/staff reports:

Water/Field: Haskins updated the board on construction activities, stating his department has laid 414 feet of pipe since the main replacement project officially started the first of June, with a main break in the middle of the project. Haskin reported his concerned that his department's direction is primarily water main replacement and yet he has heard comments which convey the perception that they aren't doing their job correctly as field services tasks are suffering. Robinson responded to this stating that we are looking into hiring temporary summer help to assist with completing other maintenance tasks, which will hopefully correct the perception that things are getting done. The board reiterated that Haskin's focus does need to be water main replacement.

Nelsen brought up Haskins schedules, pointing out that the projects which are completed to not appear to adhere to the schedule on the report. Haskins explained that the list changes due to priority issues causing items to be moved to the bottom of the list items that have disappear off of the report are still on his own personal pending list. Nelson also inquired as to the figures provided by Haskin of the price of installing the pipe for the last four-month period showing the cost of price per foot, including the labor costs, which does not match what he previously stated, including the labor costs. Haskins explained that he did not calculate this correctly and plans to discuss with Jim Lanzarotta how to come up with this number and better handle the dollars of the capital assessment.

A question was asked on the status of the delivery of the new bass supply. Haskin reported that he cannot get the hatchery to send any bass until late summer due to loss of fish population during the winter months; therefore, Robinson requested that Haskin check to see about getting some different types of fish for the fishing derby, possibly trout and report back on this on the following

Monday. Catfish, crappie and more bluegill was also suggested. The Board concurred.

Nelsen's Committee Charter Waterfield Services Committee:

Robinson reported on the need for a new Water System Planning Committee, which would be an ongoing committee with permanent status to help with Water services, reporting to the General Manager for Water/Field Services.

NELSON MOVED TO ADOPT THE COMMITTEE CHARTER FOR THE WATERFIELD SERVICES COMMITTEE. GABRIELSON SECONDED.

This committee was discussed further and it was explained that this committee is different than the one which was formed in the past. The past committee was focused mostly on the Six Year Water Plan and the Schwindt. However, now it appears, that due to the expensive equipment needs and purchases as well as the complications of providing water in a manner that is pleasing ecologically with regard to State ecological departments, there is a definite need for an ongoing committee. Flood suggested that it would probably be a good idea to include the people who were involved in the previous committee of the Six Year Water Plan, etc., and Nelsen plans to contact them.

NELSON MOVED TO NOMINATE LARRY RAYMER AS THE CHAIR OF THE NEWLY CREATED WATER/FIELD SERVICES COMMITTEE. RICHMOND SECONDED. MOTION CARRIED 8-0.

Community Relations Committee Report:

Gabrielson reported, that due to the fact that Jane Bowen is planning on moving away from Surfside, Jo Wiley and Gloria Hajdok have volunteered to chair the Annual Potluck Picnic for 2009. Tents will be available to be used for the picnic without using the end pieces as the zippers were damaged and the ends cannot be closed.

Additionally it was reported that the committee has purchased three benches which funds they had raised, to put in different areas around Surfside.

Finally, Larry Nelsen reported that Surfside cleanup will not take place as no volunteers have been found to organize or participate in this event. Also it has been noticed that the community has a better attitude towards keeping Surfside clean and there appears to be less of a need for a special clean up event.

LAND AND BUILDINGS:

George Miller, Chair of this committee stated his number one priority is helping to maintain Surfside assets, including safety issues, etc. He had no other comments on his report as submitted.

TREASURERS REPORTS:

BOWEN MOVED TO APPROVE CHECK #16317 IN THE AMOUNT OF \$2,134.67 PAYABLE TO ROBERT HASKIN AS REIMBURSEMENT FOR REPLACEMENT OF WATER DEPARTMENT COMPUTER & TRANSFER FROM RESERVES.

BOWEN MOVED TO APPROVE CHECK #16579 IN THE AMOUNT OF \$20,662.85 PAYABLE TO ADVANCED UNDERGROUND EQUIPMENT FOR PUSH MACHINE REPLACEMENT & TRANSFER OF FUNDS FROM RESERVES.

BOWEN MOVED TO APPROVE THE FOLLOWING CHECKS FROM THE WATER LINE REPLACEMENT PROJECT & TRANSFER OF FUNDS:

- GENERAL JOURNAL ENTRY TO TRANSFER FUNDS FROM RIGHT-OF-WAY ACCOUNT (FOR CHECKS #16387 TO DPR BUILDERS \$1,967.35; #16414 TO NASELLE ROCK & ASPHALT FOR \$2,587.20; & #16426 TO DPR BUILDERS FOR \$269.50) TO WATER LINE REPLACEMENT PROJECT IN THE AMOUNT OF \$4,824.05
- #16550 PAYABLE TO DPR BUILDERS IN THE AMOUNT OF \$576.33 FOR DUMP FEE, TRUCK FEE MACHINE TIME.
- #16553 PAYABLE TO NASELLE ROCK & ASPHALT IN THE AMOUNT OF \$2,862.09 FOR ROAD CUT REPAIRS.
- #12474 PAYABLE TO BOBCAT WEST IN THE AMOUNT OF \$40,334.93 FOR BALANCE DUE FOR CAT.

BOWEN MOVED TO APPROVE TRANSFER FROM BANK OF THE PACIFIC IN THE AMOUNT OF \$75,000.00; KEY BANK IN THE AMOUNT OF \$38,654.60 & \$72,570.00 FROM MORGAN STANLEY; COLLECTED WATER LINE REPLACEMENT PROJECT COLLECTED FUNDS TO BANK OF THE PACIFIC DEDICATED WATER LINE REPLACEMENT PROJECT ACCOUNT.

NELSON SECONDED ALL ABOVE MOTIONS. RICHMOND ABSTAINED. MOTION CARRIED 7-0.

Flood requested an update on the issue of the Bobcat, which is currently broken down and the warranty. Haskin stated that the mini excavator will be down all week until someone can get the parts and come out to fix it; however, this is covered under warranty.

WILLIAMS MOVED TO ACCEPT COMMITTEE REPORTS. BOWEN
SECONDED. REPORTS ACCEPTED UNANIMOUSLY, 8-0.

The Board recessed to closed executive session at 12:32 pm and opened again
for regular session as 12:50. At that time;

GABRIELSON MOVED TO ADJOURN THE BOARD MEETING. RICHMOND
SECONDED. MEETING WAS ADJOURNED AT 12:51. PM.

Jim Flood, President to the Board

Grant Murrell, Exec. Committee Secretary

Dinah McCreddie, Recording Secretary