

"top 10" Annual Checklist for Homeowners' Associations

By Michael D. Klemm, Esq., Severson, Sheldon, Dougherty & Molenda, P.A.

Minnesota Statutes and homeowners' association governing documents establish a wide variety of requirements for the operation of condominiums, planned communities and cooperatives that are subject to the Minnesota Common Interest Ownership Act. The following list, while not exhaustive, will provide boards of directors and property managers a good start toward excellent CIC management.

- 1. Annual Meeting.** Hold a meeting of the members at least once per year for members to elect successor directors, and to permit the board to report on the activities and financial condition of the association. Minn. Stat. § 515B.3-108.
- 2. Annual Report.** Provide an annual report to each unit owner at or prior to the annual meeting. The annual report must contain the information listed in Minn. Stat. § 515B.3-106.
- 3. Annual Review of Financial Statements.** Coordinate review of the association's financial statements by a licensed, independent CPA at the end of each fiscal year, unless the unit owners vote to waive the review requirement for that year. Deliver the reviewed financial statements to all members within 180 days after the end of the fiscal year. Minn. Stat. § 515B.3-121.
- 4. Annual Filing with Minnesota Secretary of State.** Business corporations and non-profit corporations must file an annual renewal each calendar year. Cooperative associations must file a periodic registration each odd numbered calendar year. Forms and instructions are available online at www.sos.state.mn.us.
- 5. Reserve Study.** The annual budget of a residential CIC must provide from year to year, on a cumulative basis, for adequate reserve funds to cover the replacement of those parts of the CIC that the association is obligated to replace. Minn. Stat. § 515B.3-114. The best practice is to conduct and periodically update a reserve study to determine the necessary annual assessments for reserves.
- 6. Annual Budget and Assessments.** Adopt an annual budget for revenues, expenditures and reserves, and levy and collect assessments for common expenses from unit owners. Minn. Stat. § 515B.3-102. In the current real estate and economic environment, it is important to address delinquencies promptly through written reminders and, if necessary, foreclosure of the association's lien under Minn. Stat. § 515B.3-116.
- 7. Maintenance.** Coordinate periodic inspection, maintenance, repair and replacement of the common elements that are the responsibility of the association. Help the unit owners fulfill their maintenance obligations by clearly identifying building components that are the responsibility of the unit owners. Periodically educate and remind the unit owners as to their responsibilities to perform necessary maintenance. Minn. Stat. § 515B.3-107.
- 8. Insurance.** Maintain property insurance on common elements, commercial general liability insurance, directors and officers insurance, and workers' compensation insurance for any employees. Minn. Stat. §§ 515B.3-113; 302A.521; 317A.521; 176.181.
- 9. Contracts.** Review the association's contracts and evaluate the performance of its vendors. Coordinate any changes that are in the best interests of the association, for example, changing vendors upon expiration of a contract; enforcing the association's rights under a contract; seeking to avoid enforcement of an unconscionable contract or contract clause under Minn. Stat. § 515B.1-112; or terminating a contract entered into during the period of declarant control under Minn. Stat. § 515B.3-105.
- 10. Rules and Regulations.** Review the association's existing rules and regulations and consider the scope of rule-making authority under Minn. Stat. § 515B.3-102. Make any amendments that are appropriate for your community, and enforce all rules and regulations consistently.