

Green Valley Foothills Townhouses IV, Inc.

FY2023 Annual Report 02/01/2023 - 01/31/2024

This document presents general comments and the highlights accompanying the posted Excel-based "treasurer_income_expense_report.pdf" document in the ANNUAL REPORTS 2023-2024 link on the HOA website (<https://www.gth4.com/>).

Following is a rendition of that report as it is presented in our Bookkeeping application, MoneyMinder ("MoneyMinder_income_expense_report"). The remainder of this page was left intentionally blank.

FY 2023-24 Budget Highlights

This **Annual Report for Fiscal Year 2023-24** (filed as “treasurer_income-expense_report.pdf”) is based on financial transactions that were executed and recorded on behalf of TH4 HOA by its Treasurer, *Martin Klotz*. All transactions were recorded in **MoneyMinder**, our bookkeeping application, purchased (and renewed for the next Fiscal Year) on behalf of the TH4 HOA by Treasurer Martin Klotz.

The Treasurer participated in all meetings scheduled by the Finance Committee as one of its members, consulted monthly with the Chair of the Landscaping Committee and interacted with members of the Maintenance Committee, as both committees managed line items in the 2023-24 Annual Budget.

A review of all transactions (all Income & Expense activities in FY 2023-24) entered into **MoneyMinder** revealed that **all transaction records reconciled without differences with the 4 accounts held by the HOA with BMO-Harris Bank**. This result matches what has been already reported in the Board-approved monthly Treasurer’s reports (posted on the TH4 website).

Taking advantage of MoneyMinder, which is linked to and mirrors activities in our accounts in BMO BANK, our budget structure contains Expense and Income categories (“Line Items”) under new headings in the Operating Fund that a) increased transparency of recording of Income & Expense transactions as well as Transfers between the Operating Fund (OF) and the other fund accounts [Reserve Fund (RF), Contingency Fund (CF)], and b) provided a smooth conduit to our Fiscal Year/Annual Budget.

To understand the Annual Budget reported in the posted “treasurer_income-expense_report.pdf” file, it is important to acknowledge that the bank accounts TH4 HOA holds with BMO Bank reflect net holdings in independent accounts. The net holdings in 3 of the 4 BMO bank accounts match the balances in the HOA’s Reserve Fund, Contingency Fund & Manny Park Fund, managed in the MoneyMinder bookkeeping application, because withdrawal and deposit transactions from and to these accounts are initiated by income and expenses facilitated through the Operating Fund account. The latter serves as the sole gate between the HOA’s financial holdings and external “sinks” and “sources.”

The monetary ceiling of the Annual Budget is the Annual Dues collected from all 170 property owners in TH4. This income is usually amended by additional income from fees (property transfer fees, late payment fees) and interest earned for the holdings in the Operating Fund account equal to the budget; however, the total income from either of these additional sources is not predictable. Nevertheless, the Annual Budget sets the goal of a collecting \$1,000 per annum from aforementioned fees, which is based on historical evidence. **With advice from the Finance Committee, it is the goal and obligation of the Treasurer to ensure that the actual operating expenses do not exceed the expenses approved by the board for the Annual Budget. This goal has been met for Fiscal Year 2023-24; in fact, it has been exceeded!**

The Annual Budget the Board of Directors approves for each new Fiscal Year is embedded in (a part of) but not identical (it is smaller) than the balance of the ledger in the Operating Funds bank account. On the first day of the Fiscal Year (Feb 1), the Annual Budget starts at the minimum of

the total Annual Dues assumed to be collected for that Fiscal Year; however, because that never happens in reality, the FY starting balance of the ledger in the Operating Funds Bank Account consists of "Carry Forward (Legacy funds)", "so-far collected (pre-paid) Dues for the next Fiscal Year" and "Net Surplus in the Annual Budget of the prior Fiscal Year", the latter of which is to be transferred to the Contingency Fund account. Detailed accounting for this is provided in the "Account Overview" table attached to this report.

Here are some (detailed) bookkeeping highlights:

1. The closing balance of the Operating Fund Account on 1/31/24 was \$69,762.14, which was the starting balance on 2/1/2024 in the Operating Fund Account for Fiscal Year 2024-25. The \$69,762.14 included \$64,754.85 of pre-collected 2024-25 Annual Dues and \$5,007.29 in residual "legacy funds" and 2023-24 Annual Budget Surplus.
2. In awareness of substantial expenses for Road maintenance in the next Fiscal Years, the Finance Committee had proposed to the Board a modest increase in the 2024-25 Annual Dues, introduction of the opportunity for semi-annual payments, and prioritization of growing our holdings in the Reserve Fund. All parts of these recommendations were motioned and approved by the Board.
3. One of the consequences of prioritizing growth of our holdings in the Reserve Fund was the goal to minimize reimbursements of expenditures for MAJOR project expenses from the Reserve Fund Account to the Operating Fund Account thereby also indirectly growing the percentage of the Annual Dues (37.78%) that goes annually to the Reserve Fund. To elaborate, MAJOR project expenses for the maintenance of our Roads and Common Area are not in the core of our Annual Budget as they exceed the mandate of general upkeep (Landscape, Maintenance) and legal obligations (Insurance, Legal Services, GVC dues, etc), and are usually cause by weather-imposed or long-term wear and not predictable within the bounds of a particular Fiscal Year. Such MAJOR projects are considered and approved by the board on an individual project basis after recommendation by the pertinent committees. For the FY 2023-24 and upon recommendation by the Finance Committee, the Treasurer held off such reimbursements from the Reserve Fund to the Operating Fund for two board-approved MAJOR projects, costing us a total of \$15,750, until the end of the Fiscal Year in order to benefit from the considerable interest we earn on our holdings in the Reserve Fund. At FY's end, the Board approved the Treasurer's motion to cancel the reimbursement and leave the funds in the Reserve Fund account. In turn, the Treasurer was able to offset these MAJOR projects expenses with *Carry Forward (Legacy funds)* from prior Fiscal Years, which kept these expenses outside of the Annual Budget.

INCOME (Operating Fund) for FY2023-24:

- The Annual Dues Collection (\$91,809.85) nearly matched the budgeted income (the \$9.85 difference was due to a donation by one property owner). As per the approved formula, 37.78% (\$34,680) of the collected dues was transferred to the RF.
- Property transfers in 2023-24 contributed income from fees as budgeted (\$1,000).
- Fees for Late Dues payments of \$47.95 were collected.
- Interest was collected as part of a reimbursement from the IRS for overpaid 2021 income tax.
- There was no other *bona fide* income Some payments received were non-taxable simple

reimbursements for outlays to service providers that the HOA made on behalf of property owners for their contributions to Dump Runs. Such “income” was assigned in our bookkeeping application, MoneyMinder, to a fitting CATEGORY under the pertinent EXPENSE heading [“Felix Landscaping (Dump Runs)” under “Landscaping Committee Budget”].

INCOME (Operating Fund) for FY2024-25:

- Annual Dues for FY 2024-25 in the amount of \$64,754.85 was collected before the due date (2/1/24) and will be forwarded as income to Fiscal Year 2024-25. This number is smaller than the pre-paid Dues last year and given that the Dues has slightly increased, it documents that less Property Owners paid on time this year compared to last year.

EXPENSES (Operating Fund) for FY2022-23:

- Although administrative expenses could be reduced in some categories (Accounting, Office Supplies, Directory Printing & Taxes), these savings were offset but much higher costs in other categories (Rental & Document Storage, Postage, Legal Services).
- The Landscaping Committee managed to keep their spending more than \$4K under budget while facilitating planned maintenance and minor improvements. Together with savings from expenses for General Maintenance, these savings contributed to an Actual Surplus of \$6,782 for the 2023-24 Annual Budget (Net Surplus of \$5,064.20). As explained in the next paragraph, this surplus was used together with a part of the “*legacy* balance”, to offset expenses for MAJOR projects.
- Major improvements facilitated by the Landscaping and Maintenance Committees have been coordinated with the Board and were planned to be financed from the Reserve Fund (invoices were paid from the Operating Fund). Expenditures for MAJOR projects from the Reserve Fund are typically not included in the Annual Budget; instead, they are tentatively planned and individually approved by the board pending input from pertinent committees, professional contractors and regulatory agencies following a needs-cost-benefit analysis. As mentioned above, the Board approved to cancel the reimbursement, leave the funds in the Reserve Fund account, and account the expenses against the “*legacy* balance”, and the actual *surplus* from the 2023-24 Annual Budget.

TH4 HOLDINGS IN OTHER BMO ACCOUNTS

(Please note that the funds in these accounts are not part of the Annual Budget)

- The FY end balances in our Contingency Funds (\$38,497.770 and Reserve Funds (\$98,231.49) accounts grew as expected or more.
- The Manny Park Fund savings account was closed due to inactivity for more than 12 months and the remaining funds have been moved (\$6671.24) to the Reserve Fund account.