

FY 2022-23 Budget Highlights

This **Annual Report for Fiscal Year 2022-23** (filed as “treasurer_income-expense_report.pdf”) includes transactions that were originally executed and recorded by two different treasurers. *Martin Klotz* was voted into the Treasurer position by the TH4 HOA board during its September 2022 meeting and the bookkeeping for the TH4 HOA (existing in the form of collected records and excel entries) was transferred from Acting Treasurers *Keith & Kay Schardein* to *Klotz*. All transactions executed in 2022 were retroactively entered into a new bookkeeping application, **MoneyMinder**, purchased on behalf of the TH4 HOA by Treasurer Martin Klotz.

A review of the transactions entered the 2022-23 budget, all Income & Expense activities entered into **MoneyMinder**, revealed that **all transaction records reconciled without differences with the 4 Accounts held by the HOA with BMO-Harris Bank**. Starting in October, the Treasurer participated as a guest in all monthly Board meetings and presented monthly reports for board approval. The Treasurer also 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, both of which managed line items of the 2022-23 budget.

Taking advantage of MoneyMinder, the prior budget structure was modified by establishing Expense and Income categories under new headings in the Operating Fund with the goal of increasing transparency of recording of Income & Expense transactions as well as Transfers between the Operating Fund (OF) and the other three fund accounts [Reserve Fund (RF), Contingency Fund (CF) & Manny Park Fund (MPF)].

To understand the budget reported in the posted “treasurer_income-expense_report.pdf”, it is important to acknowledge that the bank accounts TH4 HOA holds with BMO-Harris Bank reflect net holdings in independent accounts, not representing the bookkeeping structure of the HOA. The net holdings in 3 of the 4 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 by the Operating Fund. The latter serves as the sole gate between the HOA’s financial holdings and external “sinks” and “sources.”

Here are some bookkeeping highlights:

The closing balance of the Operating Fund for Fiscal Year 2021-2022 was \$ 2,594.75, which was forwarded to the Operating Fund for Fiscal Year 2022-2023. At the beginning of FY 2022-23 (2/1/2022), the BMO-Harris bank account holding the Operating Fund (OF) had a starting balance of \$19,003.65, including the surplus from the last FY. Per TH4 budget guidelines, the closing balance for the Operating Fund in FY 2021-22, forwarded to FY 2022-23, was transferred to the BMO-Harris account holding the Contingency Fund.

INCOME (Operating Fund) for FY2022-23:

- A new Bookkeeping application (MoneyMinder) was purchased at significant lower annual subscription cost than the previously used QuickBooks application.

- The Annual Dues Collection (\$91,793) nearly matched the budgeted income (the \$7 difference was due to a mistake 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 2022-23 occurred less frequent than expected (budgeted as income), resulting in a difference between actual and budgeted income.
- Fees for Late Dues payments of \$75.60. were collected.
- 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 dues to combined invoices by such providers for similar/related services rendered to the HOA (such as common area landscaping) and to owners of private property adjacent to common areas. Such “income” was assigned in our bookkeeping application, MoneyMinder, to a fitting CATEGORY under the pertinent EXPENSE heading [i.e., “Felix Landscaping (Dump Runs)” under “Landscaping Committee Budget”].

INCOME (Operating Fund) for FY2023-24:

- Annual Dues for FY 2023-24 in the amount of \$69,129.93 was collected before the due date (2/1/23) and will be forwarded as income to the 2023-24 Fiscal Year.

EXPENSES (Operating Fund) for FY2022-23:

- The Landscaping Committee managed to keep their spending under budget while facilitating planned maintenance and minor improvements.
- Major improvements facilitated by the Landscaping and Maintenance Committees have been coordinated with the Board and were financed from the Reserve Fund (invoices were paid for from the Operating Fund but then debited to the Reserve Fund). Expenditures 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.

Please note that the Transfers between Operating Fund and Reserve Fund in MoneyMinder are accounted for by using Withdrawal & Deposit transactions to match the transactions between the respective accounts TH4 holds with BMO-Harris Bank. This accounting practice artificially inflates the numbers in the Income and Expense columns in the monthly and annual Reports rendered by MoneyMinder, but it does NOT change the actual net account balances, which are routinely verified by reconciling with the accounts with BMO-Harris Bank at the end of reporting periods (last day of the month, last day of the fiscal year). The advantage of this accounting practice is that it provides a clear record with detailed categories under which the Incomes/Expenses were budgeted.