

Finance Committee Report – IPOA Annual meeting – 12/5/22

The Finance Committee was formed in September and began meeting October 12. Members include Dirk Gosda as board liaison, myself as Chair, John Chapman as secretary, Rick Moore and Richard Tarmey.

Thus far, the committee's work has included the following:

2023 Budget:

Our initial and immediate priority was the Budget. Bob Johnson provided his draft, since he has historically generated the budget and this is included in the duties as property manager, which we pay for under IMM's current contract. We familiarized ourselves the expense categories and formulated our budget estimates, by reviewing YTD financial results, considered inflation, and looked at 4 year averages on each expense category.

The committee provided input for several line items - interest income, design review, landscaping and snow removal estimates, and legal fee expense. Ultimately the Board approved the budget with a reduced Reserve allocation and no increase to assessments. The finance committee believes we should have an accurate and realistic operating budget which should help us "live within our means" and plan for our needs but also to be mindful of maintaining appropriate reserve funds. We recognize reserves were tapped into quite a bit this year. The topic of a reserve budget will be addressed by Dirk.

Next task -AUP Engagement

AUP stands for Agreed Upon Procedures, which is a review of accounting procedures to be conducted by an independent CPA firm, Reese Henry. This was first initiated by Elizabeth for Board Approval, then the scope of the work was negotiated by Dirk and John Chapman. This review will examine accounting procedures used by IMM on behalf of Ironbridge for transactions from 2021 and to date 2022 – They'll look at 6 areas - the procedure for handling receivables (dues/assessments), payables (expenses), collection of late assessments, the timeliness of generating financial statements, the presentation of reports compared to accounting standards used for HOA reporting, and transfers made between reserve and operating accounts.

The findings of the AUP will be provided to the Finance Committee for our review so that we can make recommendations to improve the quality of financial statements. It is expected to be completed in the first qtr, assuming all requested detail is provided by IMM.

Thirdly – Reserve Investment Policy

The committee just submitted for Board approval a draft of the Revised Reserve Investment Policy, which stipulates how reserve funds are to be managed, protected and invested.

Accounting Procedures

Working with IMM, the committee will be requesting more detailed reports, getting familiar with their new accounting software, and working toward more timely submission of financial

statements to the Board and finance committee. We also plan to introduce Fund Accounting, which involves separating the operating spending (management/maint duties of the POA) from reserve fund spending (roads, irrigation, systems). This would align spending with the intended purpose of the funds, and provide greater transparency for members. Subject to AUP findings, there may be further recommendations regarding accounting procedures.

A Goal for us - Expense Reduction

The committee was asked by a Board Member, and another member to review the legal fee invoices YTD. The analysis revealed which legal matters were incurring higher fees, showed a high level of activity on general matters, and how attorneys were being engaged by various members and the Board. This data was submitted to the Board but will also be used by the newly formed Legal Committee in an effort (which we recommended) to have a better managed and cost effective process of seeking outside legal services while still having the means to defend the community's interests. Other efforts for expense reduction include examining how to reduce administrative expenses incurred by and paid to IMM.

Last topic - Account Authority

We are reviewing current signatory control of bank accounts and the decisions made on invested reserve funds. Recommendations will be submitted to the Board.

In closing, our committee has a lot of fire power – we have experience as CFO's, accountants, CPA, banker, property manager, builder. We intend to represent members' best interests and want to make ourselves available for questions or anything we can do to help your understanding of our association's financial matters.