

Meeting Minutes

September 22, 2021 at 10:00 a.m.

Bobcat Hall & Virtual

Members Present:

Alex Fernandez, Jeff Porter, Lisa Mascolo, James DiLella, Jerry Honea, Paul Hennessy, Paul Hough

Others Present:

Board Members: Gaye Stathis, Brad McIlvain

Keefe-McCullough (Auditors): Israel Gomez, Martha Parker, Brian Bussell

Staff Present:

Shannon White, Interim COO, Jane Ovenden, Ellen Festa

Meeting Minutes

Alex F. called meeting to order. Motion to approve June 23, 2021 minutes. Motion made by Lisa Mascolo – Seconded by Jim DiLella. Passed unanimously.

Alex F. provided update on Financials that were taken down off web site. They are currently on web site in draft mode until Auditors give final approval of corrections. Auditors from Keefe & McCullough are on-site this week to conduct preliminary audit work and to review financial corrections in order to issue a Letter of Assurance.

Shannon commented that the situation with Director of Finance resigning is a personnel matter so limited information may be shared in today's meeting.

Jane Ovenden (former Director of Finance) is assisting us part time during this transition. Jane did a presentation on activities so far and next steps:

Focus has been on analyzing activity and ensure amounts are in the proper fund:

- Reviewed Reconciliation of Investments in Money Market Accounts
- Reviewed Comcast Revenue and Receivables



- Reviewed Flood Mitigation Revenue and Expenses
- Gone over the application of pre-paid expense deposits and recording of Fixed Asset purchases
- Interfund Allocation

Next Steps

- Refining Salesforce financial reporting
- Analysis of outstanding owner receivables
- Review contributions to reserve process

Alex F. stated July financials will be posted following Auditors' work. August is being closed now and will be ready within the next week to 10 days. Currently no indication of fraud or theft as per Auditors.

Several member questions were addressed at this time:

- Can you provide reconciliation spreadsheet for previous and corrected financials.
 - General agreement that it's a good idea and will create something to be published to membership.
- How were issues discovered, how long, when did issues begin?
 - Shannon commented she will try to answer but need to appreciate the line she has to walk since this is a personnel matter. In early August, some concerns were noted. There is no indication that this extended back into 2020. Our financials were audited for 2020.
- Was exit interview done with previous controller?
 - Yes. Controller was replaced in April.
- Will Audit report present 2020 financials or just 2021 P&L?
 - Per Israel Gomez, we are engaged to audit 2021. Their process includes reaching out to prior auditing firm and review of their work papers. Come year end they will also look at prior year beginning balances through end of year end 2021 to ensure all is in order.
- What procedures will be done on Balance Sheet in prep for 2021 Audit?
 - Keefe-McCullough does reach out to previous auditors as part of their process. They have looked at the accounting firm that audited KICA in the past and they appear to be a qualified firm - do not anticipate any issues. They do analyze their work papers to ensure that the 2020 audit was done in accordance with all the standards.



- Was Management Letter issued for 2020 audit?
 - Auditor has not seen one, Alex F. responded that Audit report is on web page, but knows of no Management Letter issued.
- Were any disagreements or issues from an accounting policy or procedures perspective identified when previous Controller left?
 - Resignation was not related to this.

Reserve Fund Policy

Jerry Honea provided a draft of Reserve Fund Policy for discussion. Multiple suggestions were made for changes to language in the policy. Jerry is to update draft policy and will circulate a new draft to the committee for review.

- Is there Reserve Fund insurance? Jerry H doesn't believe there is
- Discussion about whether 50% funding level too low. Per our reserve specialist, we're in good shape at 50% funding level.

Road Project

Reserve specialist conducted dummy study to remodel Reserve Study to accommodate roads project which is estimated at \$3M – remodel was based on 2020 CTR \$\$\$. Results of this study were favorable. As per the Executive Summary, the reserve specialist believes we are in good shape financially and there's a low risk to doing this project. Caveat: Maintain an annual reserve contribution each year at \$4.1M.

Financial Controls Manual and Charter Update

Lisa Mascolo provided an update on the Finance Committee charter. The updates to the Financial Controls Manual are 75% done and should be ready for the October meeting.

Quarterly Financials

Posting of Monthly financials not very beneficial and time consuming. Quarterly financials would be more detailed and will provide more meaningful information to our members. Short discussion on content.

- Committee agrees with posting of Quarterly Financials with Executive summary breaking out Operations and MMR. Alex F. will present this recommendation to the Board.
- Consider including a balance sheet.
- Look at providing breakout of Reserve funds showing the different type of funds.



Budget Assumption Discussion

- Commercial Access Fees – these fees are intended to repair wear/tear of our roads. Historically, \$500K has been transferred to the Reserve account. Alex F. stated 100% of fees collected should be going into reserve minus Admin cost for this work (Approx \$200K). Question: Is this a model we want to go to now or move to do this in stages. Should we also include the roads repair & maintenance costs from General Maintenance operating account?
- Reserve Fund – Costs for managing projects – currently \$0 being charged to Reserve Fund. We can charge up to 15% of CTR revenue back to operating accounts. Question: Should we consider this change to reflect reality while also balancing revenue and expenses between the two potential changes.
- Both of these items will be considered in the Budget Process.

Alex F. addressed a question raised in regards to why there was no increase shown in our investment account. Recommendation is to immediately move \$2M into reserve investment account and then look at defining a set amount to be moved in a second transaction.

Member Questions:

- What is goal for posting the Quarterly Financials so that the data is not stale. Goal is to have the information posted within 15 business days after end of the quarter.
- Is there an Audit committee on the Board? The COO should not be on an Audit committee. Should this be considered? There is not an Audit committee on the Board, however, members of the Finance Committee meet with Auditors once a year privately without staff present.
- Were roads useful life lengthened? While all roads are structurally sound, the board believes the aesthetic is not what is expected by the community. Reserve study was remodeled at a 20 year useful life of roads.
- Recommendations: Agree with Quarterly approach for financials, suggest showing year over year comparison of budget. Allocation of Commercial access fees, suggest do it all at once to reduce need to explain each and every year.
- Inflation impact to Reserve Fund status. The long-term objective of the Fund is to achieve a total return equivalent to or greater than the construction inflation rate (referenced in KICA's reserve study) plus 1%.



Upcoming Meeting Dates:

Wed, October 6 @ 10 am – 1st 2022 Budget Review

Tues, October 26 @ 10 am – Finance Committee & 2nd Budget Review

Wed, November 24 @ 10 am

Wed, December 22 @ 10 am

Respectfully submitted,

Ellen Festa, Executive Assistant

