

Financial Update

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Treasurer

August, 2024



Topics

- **Current Situation**
- **Assessments and Inflation**
- **Reserve Study Results**
- **Reserve Position**
- **Proposed Changes**



CURRENT SITUATION

Annual Assessment has been capped at \$300 + Insurance for 30 Years



Living on a Fixed Income



While Costs Continue to Increase

ASSESSMENTS FUND:



ANNUAL OPERATING BUDGET

ASSET RESERVES

KING'S DEER Homeowners Association

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- Owner Log In

Welcome!

This is the official web site of the King's Deer Homeowners Association. Here you will find information about the association, its activities, events, policies, and some information about the local area.

The King's Deer HOA office is located at the King's Deer Golf Course Golf Course Club House (19255 Royal Troon Drive).

VISITORS! Are you looking for the covenants, Architectural Control Committee forms, or other corporate documents? If so, follow the Library link at left. Minutes and financial reports are available to HOA members in the Library section of the **Owner** area.

Renovation of KD Monument Entrances
Posted 10/06/23

The Kings Deer Board of Directors is happy to announce that it has contracted with Kessler Inc for

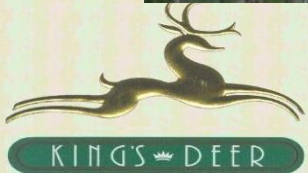
		2024 STUDY	
#	Component	Useful Life	Study Value
21180	Trails Refurbish	10	\$ 165,000
21610	Signs/Monuments	30	\$ 120,000
26050	Large Playground Equipment- Replace	25	\$ 47,000
21200	Asphalt Resurface	25	\$ 44,500
21540	Pond Liner Replace	50	\$ 35,000
26030	Playground Cover- Refill	15	\$ 35,000
26050	Zip Line Replace	25	\$ 24,000
26050	Small Playground Equipment Replace	25	\$ 23,500
21240	Bridges Replace Deck/Rails	25	\$ 18,500
21390	Stucco Walls Repair/Paint	15	\$ 11,000
26050	Twirling Swings Replace	25	\$ 11,000
25610	Balance Beam Replace	10	\$ 10,300
21660	Site Pole Lights- Replace 10%	4	\$ 10,000



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Administrative Costs, Annual Maintenance, Utilities

Asset Values for major refurbishments/renovations

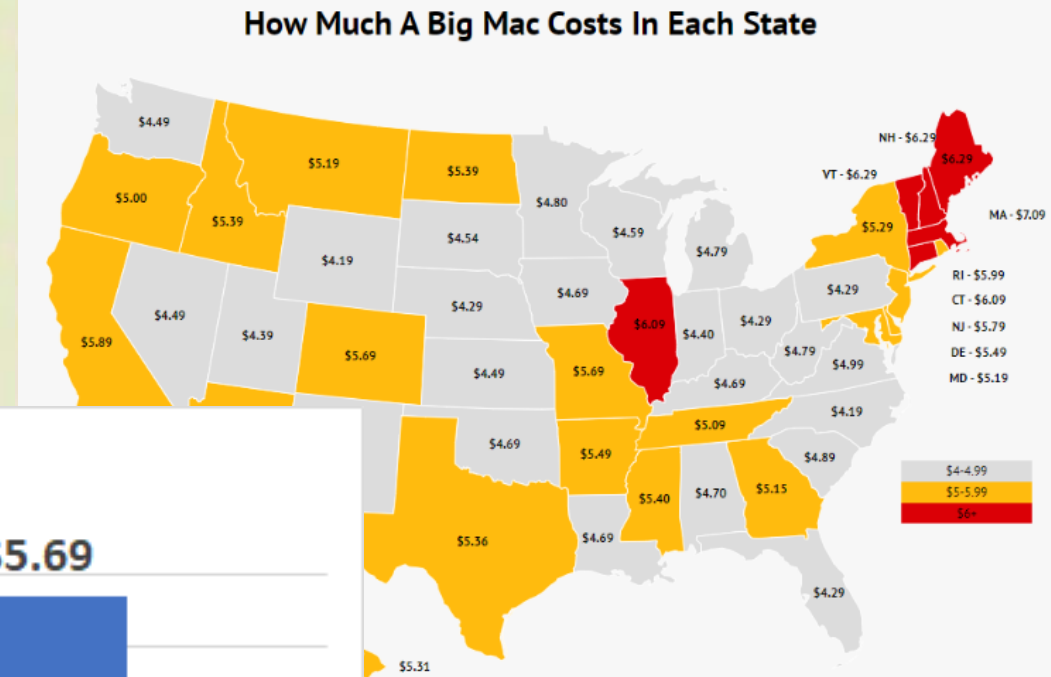
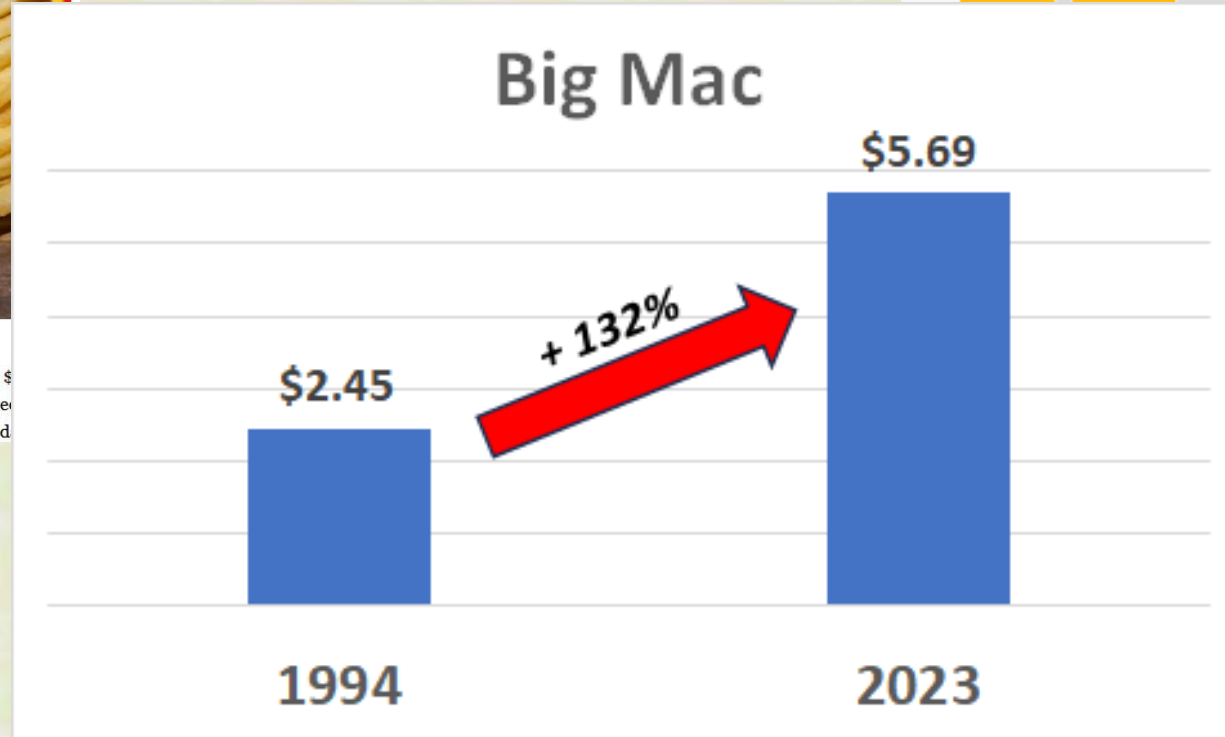
INFLATION

- 1990s: \$2.45, or \$4.59 for a Big Mac Extra Value Meal



Shutterstock

A photo of a McDonald's menu from the '90s shows a Big Mac listed for \$2.45 and a Big Mac Extra Value Meal listed at \$4.59. And Seeking Alpha notes the average price of a U.S. Big Mac was \$2.50 in 1998. Ah, the good old days.



- Denver Area CPI increased 121% from 1994 to 2022 – a **2.8% Annual Increase**
- The \$300 Assessment adjusted for Denver area CPI inflation = **\$662** (as of December 2022)

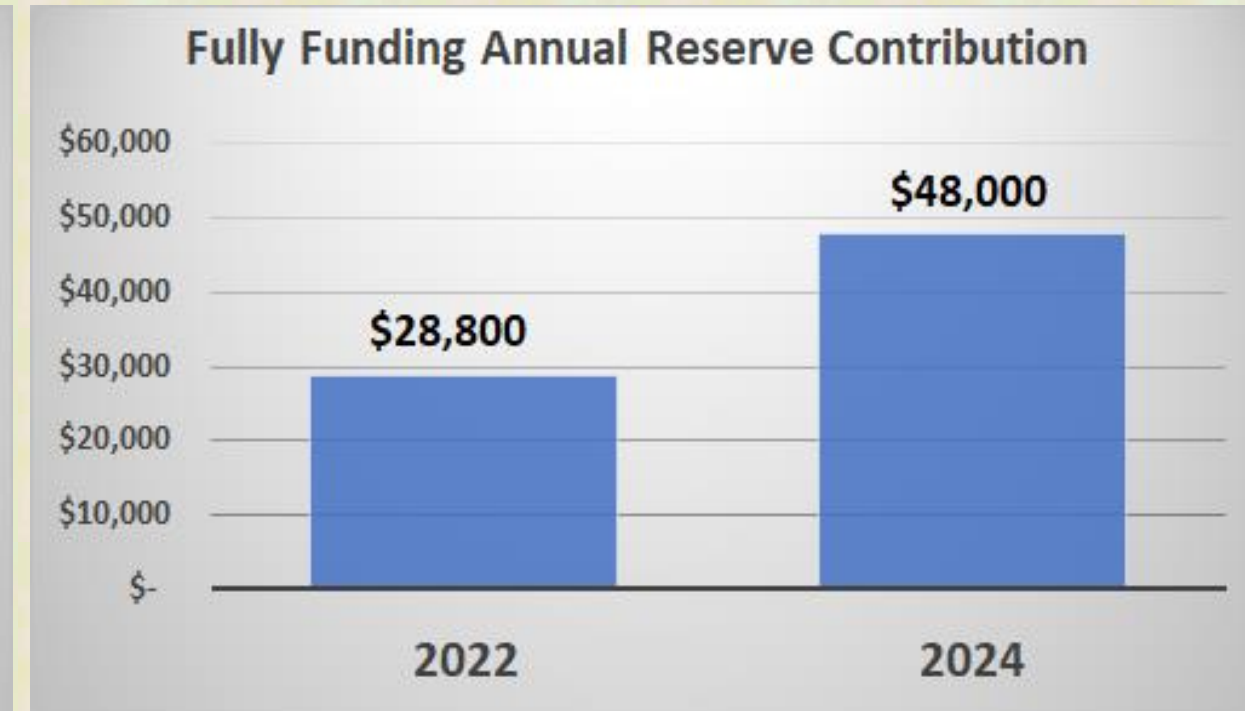


2024 RESERVE STUDY

- The Board engaged Association Reserves to complete the 2024 Reserve Study, the same organization that completed the 2022 Reserve Study
- Association Reserves completed an independent assessment of assets and required reserves including an on-site inspection
- Study resulted in a significantly larger annual reserve contribution



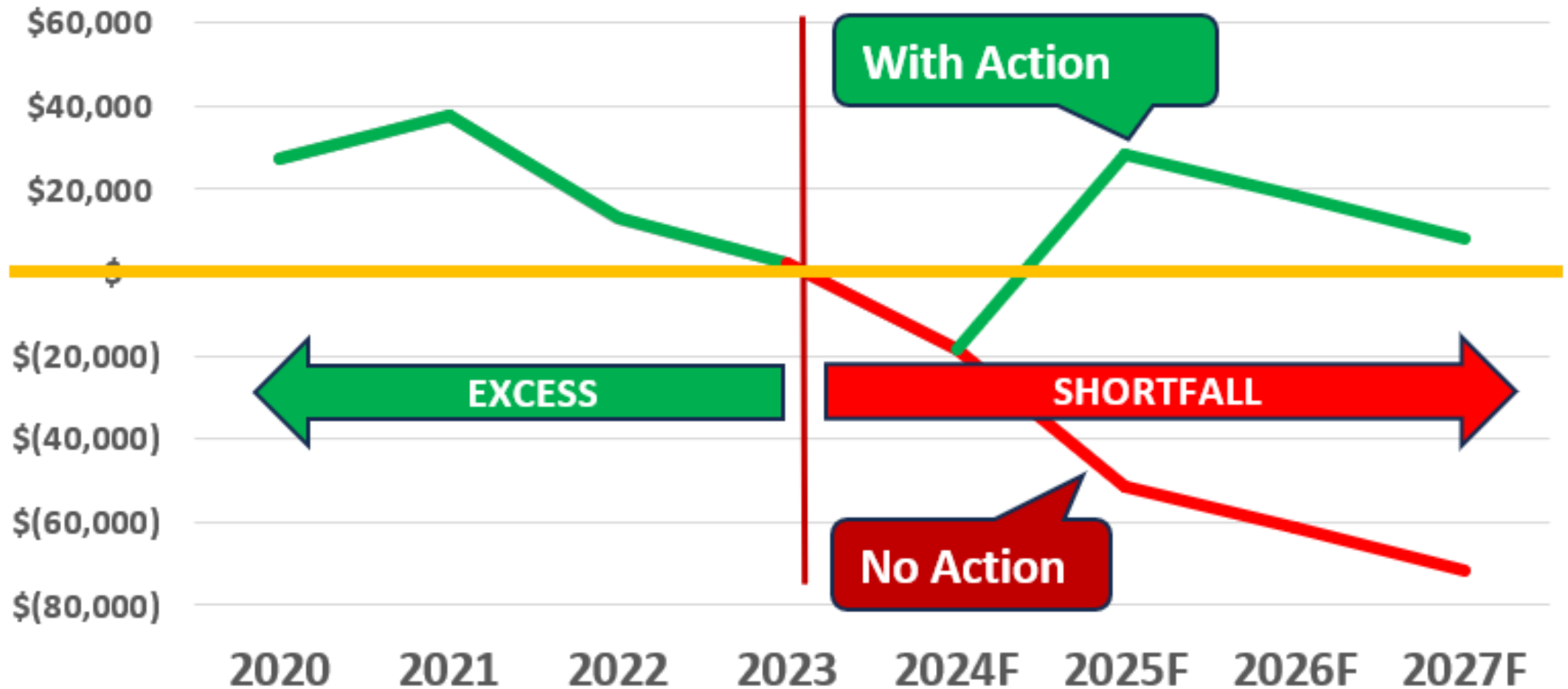
Increased Asset Replacement Costs Driving Increase in Annual Funding



- **Inflation** has had a significant impact on the cost to refurbish/replace assets like the trails, monuments, and playground area
- We also have to make catch up contributions for lack of \$ additions in 2023 and 2024



HOA Reserve Position Over Time



Assessment Increase needed to fully fund Operating and Amenities



Proposed Assessment Changes

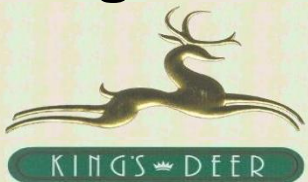
- **Board of Directors propose an amendment to the Covenants to:**
 - ✓ Increase annual assessment from \$300 to \$450 per year
 - ✓ Add annual adjustment factor capped by Denver Area CPI change
- **The proposal addresses the projected shortfalls beginning in 2024 that will build over time unless action is taken**
- **The amendment will maintain the existing Limited Expense Community status**



Benefits



Our Trails, Entrances, Recreational Areas, and Lighting will be kept in great shape for your enjoyment



Your Property Value is enhanced by high quality amenities



Preservation of Community Aesthetics

1

Enhanced Amenities

3

Cost Sharing and Economies of Scale

5

2 Proper Infrastructure Maintenance

4 Increased Property Value

Questions?



**Please support the covenant change
to keep our community in sound
financial condition for years to come.**



PROPOSED COVENANT LANGUAGE

Limitation on Annual Assessments: Prior to the beginning of each fiscal year, the Board shall prepare a budget covering the estimated costs of operating the community during the coming year, including an annual reserve contribution for replacement of improvements that are the Association's responsibility, and the Board shall establish the annual assessment or installments for the coming year, as follows:

- (a) The annual assessment per Lot shall be \$450.00 for the fiscal year beginning January 1, 2025 and ending December 31, 2025, exclusive of any optional user's fees and any insurance premiums paid by the Association. After that year, the maximum annual assessment shall be increased at a rate not to exceed the increase, if any, in the United States Department of Labor Statistics final consumer price index for the Denver-Boulder consolidated metropolitan statistical area for the preceding calendar year as set forth in C.R.S. § 38-33.3-116, which may be cumulated as set forth therein. The maximum annual assessment shall not be decreased if the final consumer price index for the relevant period decreased. The Board may set the actual annual assessment lower than the maximum.
- (b) Any increase in excess of the increase in the consumer price index must be approved by a majority of the Owners present and voting at a duly called meeting of the membership, or by ballot in lieu of a meeting as provided by law.
- (c) Notwithstanding any provision of this Declaration to the contrary, the annual Assessment for any Lot, exclusive of any optional user's fees and any insurance premiums paid by the Association, shall never exceed the maximum allowed to qualify as a limited expense planned community pursuant to C.R.S. §38-33.3-116.
- (d) This limit on annual Assessments shall not affect the authority to levy special assessments.

E. Procedure for Annual Assessments: The Assessments shall be payable in an annual amount and shall commence as to all Lots. The Association's Board of Directors may fix the annual Assessment at an amount not in excess of the maximum stated above and shall provide such notice and procedure for budgeting and payment as the Board deems appropriate or as otherwise requirement by law. The Association may furnish to an Owner, upon written request delivered to the Association's registered agent, a written statement setting forth the amount of any unpaid Assessments levied against a Lot, and the statement may be relied upon all Owners acting in good faith thereon as conclusive evidence of payment of such Assessment.



DETAILED FINANCIAL PROJECTIONS WITH CHANGE

	2027F	2026F	2025F	2024F	2023	2022	2021
Income Less Water Rights and Interest	\$ 178,589	\$ 178,589	\$ 178,589	\$ 185,550	\$ 194,020	\$ 195,954	\$ 203,463
Assessment Increase	79,650	79,650	79,650				
Total Assessments	258,239	258,239	\$ 258,239	185,550	194,020	195,954	203,463
Interest	14,111	14,111	14,111	17,638	15,207	1,799	1,428
TOTAL INCOME	\$ 272,350	\$ 272,350	\$ 272,350	\$ 203,188	\$ 209,227	\$ 197,753	\$ 204,891
Administrative Expenses	\$ 133,580	\$ 127,219	\$ 121,161	\$ 116,855	\$ 108,373	\$ 97,230	\$ 89,959
Maintenance	39,800	37,904	36,099	34,380	24,959	23,436	22,189
Insurance	9,751	9,286	8,844	10,783	11,134	8,676	7,279
Utilities/Water	15,601	14,858	14,150	13,476	13,718	12,010	11,989
Professional Fees Ex Legal-Water	14,676	13,977	13,312	14,872	14,961	12,132	9,935
Bad Debt	1,365	1,300	1,238	1,179	2,534	(1,163)	(5,033)
Mailbox Expense	1,193	1,136	1,082	1,030	2,520	3,265	4,143
Legal-Water	389	370	353	336	218	326	(1,235)
TOTAL EXPENSES	\$ 216,353	\$ 206,051	\$ 196,239	\$ 192,911	\$ 178,417	\$ 155,912	\$ 139,226
OPERATING NET	\$ 55,997	\$ 66,299	\$ 76,111	\$ 10,277	\$ 30,810	\$ 41,841	\$ 65,664
RESERVE ADDITIONS NEEDED	48,000	48,000	48,000	28,800	28,800	28,800	\$ 27,936
ANNUAL SURPLUS (SHORTFALL)	\$ 7,997	\$ 18,299	\$ 28,111	\$ (18,523)	\$ 2,010	\$ 13,041	\$ 37,728



BALANCE SHEET

As of June 30, 2024

	Jun-24	Dec-23	Change	Jun-23	Change
ASSETS:					
Bank Accounts	\$ 215,077	\$ 233,618	\$ (18,542)	\$ 291,546	\$ (76,469)
CDs	418,175	418,175	-	410,450	7,725
Accounts Receivable	939	44,364	(43,425)	2,380	(1,441)
Other Assets	1,532	7,044	(5,512)	10,195	(8,663)
TOTAL ASSETS	\$ 635,722	\$ 703,201	\$ (67,479)	\$ 714,571	\$ (78,849)
LIABILITIES:					
Unearned Owner Assessments	\$ 79,650	\$ 159,300	\$ (79,650)	\$ 79,650	\$ -
Compliance Fee Deposits	28,750	27,750	1,000	40,350	(11,600)
Total Accrued Expenses	1,979	2,014	(35)	1,858	120
Other	9,613	14,322	(4,709)	6,305	3,308
TOTAL LIABILITIES	\$ 119,992	\$ 203,386	\$ (83,394)	\$ 128,164	\$ (8,171)
EQUITY:					
Reserve Fund (Unallocated)	\$ 336,992	\$ 328,761	\$ 8,231	\$ 412,049	\$ (75,057)
Reserve Fund (Water Initiative)	164,075	159,778	4,297	157,886	6,189
Other	14,663	11,275	3,387	16,472	(1,809)
TOTAL EQUITY	\$ 515,730	\$ 499,815	\$ 15,916	\$ 586,407	\$ (70,677)
TOTAL LIABILITIES AND EQUITY	\$ 635,722	\$ 703,201	\$ (67,479)	\$ 714,571	\$ (78,849)

- Currently insufficient Reserves per Association Reserves 2024 Reserve Study
- Moved Funds into CDs in Q1 2023 resulting in an additional \$18,000/Year of Interest Income

