



King's Deer Open Forum



Financial Update and Goals With Key Meeting Takeaways

Host: Tom Anderson

April 8, 2025

Agenda:

- *Update*
- *Financial Goals*
- *Open Discussion*

Key Takeaways from Financial Open Forum

17 residents and 2 board members attended the 70-minute forum.

| Topic | Comments |
|---------------------|--|
| Stucco Wall Repairs | <ul style="list-style-type: none">• Wall may be important to homeowners along Hwy 105 for privacy and sound barrier. (<i>None present at meeting</i>)• To defray future costs, perhaps shorten the 1000-ft wall to just a couple of sections to highlight the entrance?• Are there potential issues if Hwy 105 is widened? (<i>Kevin Pratt has confirmed nothing imminent with County.</i>)• Board is reviewing multiple options and getting multiple estimates pending final decision. |
| Gazebo Removal | <ul style="list-style-type: none">• Viewed as a positive decision by attendees. Only a couple of objections voiced after the announcement.• Board will add tables or benches from other recreational areas to replace deteriorating structure. |
| Trails Maintenance | <ul style="list-style-type: none">• Most expensive asset to maintain.• Board is considering options for various spots along trails that are consistently damaged by erosion.• Attendee suggested that some trails may need to be closed due to lack of funding if we cannot pass an assessment increase |

Key Takeaways from Financial Open Forum – *Cont'd*

| Topic | Comments |
|------------------------------|--|
| Future HOA Fees/ Assessments | <ul style="list-style-type: none"> Attendees recognized need to increase fees, primarily due to: <ul style="list-style-type: none"> --No assessment increases for about 20 years --Inflationary pressure on services/expenses --Fewer revenue sources since most lots are now developed When requesting next increase, consider re-packaging it with explanation of what the board is doing with the money Members had differing opinions on whether or not there should be a cap on an assessment increase or an increase that adjusts for inflation Outreach to those who have been historically opposed Note: After 30 years of free water, Water augmentation costs are coming in the near future for Highlands |
| Expense Controls | <ul style="list-style-type: none"> Attendees recognized that Board is being thoughtful and proactive about managing expenses amid limited revenues (e.g. interest income, multiple bids, use of volunteers, etc.) Suggest looking at largest line items in the budget and examining costs there first (e.g. Administrative expenses, trail maintenance) |
| Miscellaneous | <ul style="list-style-type: none"> These meetings and overall increased communication outreach are noted and useful, especially for newcomers to KD Can we ask the Golf Course owners to increase mowing around clubhouse, very unsightly? |

Meet the Team



Charlotte Christensen CPA

- Involved in KDHOA financial activities for over 15 years
- Our external CPA since 2016
- Experience includes VP Finance @ Corvitus; CFO/Controller @ HP Development
- Active CPA license



Tom Anderson CPA (Inactive)

- Treasurer since 2022 and Treasurer/President for several other HOAs previously
- Experience includes senior financial roles at Kraft, Microsoft, and Blue Bunny
- CPA Since 1987 (inactive 2023)

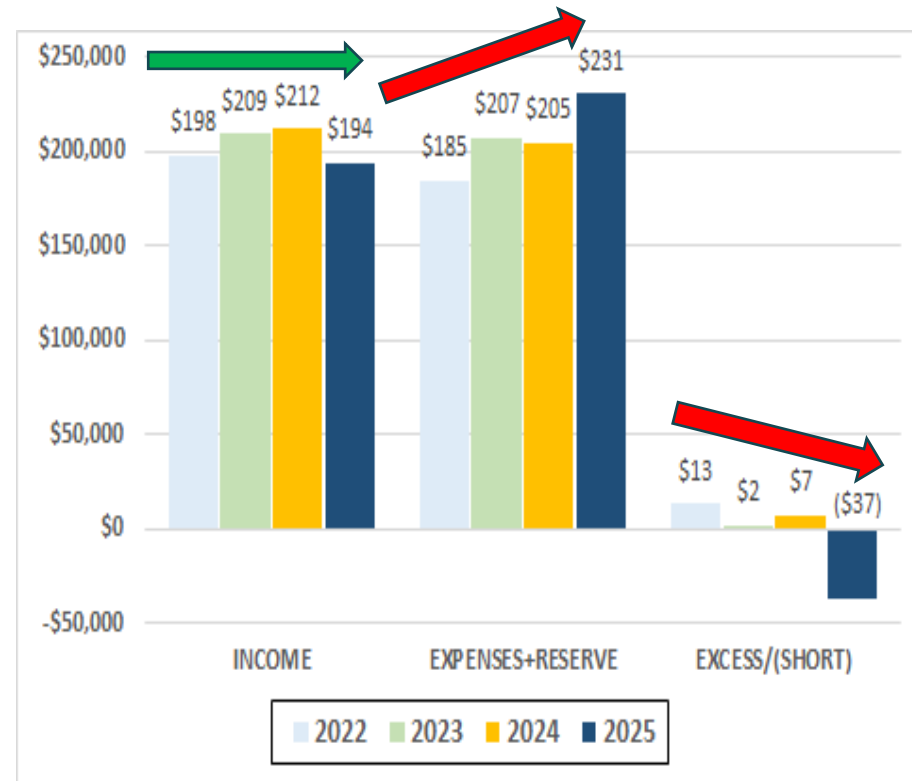


John Highhouse

- Responsible for: all bookkeeping functions of HOA since 2019 including maintaining the General Ledger, Accounts Receivable, Accounts Payable, and Collections
- Experience includes all aspects of running a small business for over 20 years
- Other financial activities include tracking compliance deposits and assisting in creating the budget and financial reports

Financials Over Time

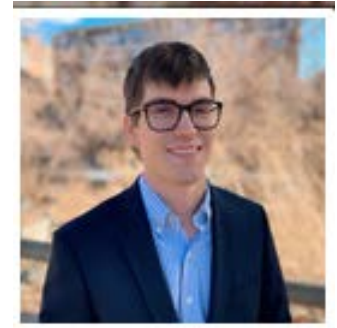
| | 2022 | 2023 | 2024 | 2025 |
|------------------------|-------------------|-------------------|-------------------|--------------------|
| Assessments | 159,300 | 159,300 | 159,300 | 159,300 |
| Ownership Transfer Fee | 10,500 | 5,100 | 9,300 | 4,800 |
| Violations/Fines/Fees | 6,900 | 13,750 | 5,600 | 1,584 |
| Interest | 1,799 | 15,207 | 21,596 | 16,761 |
| ACC Fees | 4,400 | 1,000 | 800 | 1,200 |
| Other Income | 14,854 | 14,870 | 15,575 | 10,485 |
| INCOME | \$ 197,753 | \$ 209,227 | \$ 212,171 | \$ 194,130 |
| Administrative | 97,116 | 106,173 | 110,939 | 113,872 |
| Maintenance | 23,436 | 24,959 | 22,828 | 30,598 |
| Professional Fees | 12,458 | 15,178 | 13,485 | 12,712 |
| Utilities/Water | 12,010 | 13,718 | 13,567 | 14,087 |
| Insurance | 8,676 | 11,134 | 9,801 | 8,162 |
| Other | 2,217 | 7,255 | 5,583 | 6,338 |
| TOTAL EXPENSES | \$ 155,912 | \$ 178,417 | \$ 176,203 | \$ 185,768 |
| NET INCOME | \$ 41,841 | \$ 30,810 | \$ 35,968 | \$ 8,362 |
| RESERVE EXPENSE | 28,800 | 28,800 | 28,800 | 45,000 |
| EXCESS/(SHORT) | \$ 13,041 | \$ 2,010 | \$ 7,168 | \$ (36,638) |



- **Revenues Flat:** Additional interest income offsetting lower fee revenue
- **Expenses Increasing:** Reserve contribution increase driving overall change
- **Net Result:** Not able to adequately fund Reserve going forward

Reserves and the 2024 Reserve Study

- Reserve funds are funds that HOAs set aside for future financial obligations such as major repairs, replacements, and maintenance
- We have external experts complete a reserve study every 3-5 years to determine how much to set aside for upcoming obligations
- The Board engaged **Association Reserves** to complete the 2024 Reserve Study with an on-site inspection and independent assessment of community assets
- The annual recommended Reserve contribution increased from \$28,800 to \$45,000 per year driven by inflation



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Annual Assessments Are Used for:

ANNUAL OPERATING BUDGET (Checking Account)



Administrative, Maintenance, Utilities

ASSET RESERVE ACCOUNT (Savings Account)

| ASSET TYPE | REPLACEMENT VALUE |
|--------------------|-------------------|
| Playground | \$ 178,050 |
| Trails | 165,000 |
| Monuments | 131,000 |
| Other | 112,830 |
| Pond | 35,000 |
| Grand Total | \$ 621,880 |

Est. Cost for a Major Refurbishment

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Revenue - Expenses = Reserve Funding

| | 2025 |
|---|--------------------|
| Annual Revenue | \$ 194,130 |
| Expenses | 185,768 |
| Left over for Reserve (Savings) Account | \$ 8,362 |
| Reserve Study Funding Requirement | 45,000 |
| Overage/ (Shortfall) | \$ (36,638) |
| 2025 Per Member Shortfall | \$ (69.00) |

- We have enough funding in 2025 for daily operating activities
- (\$36,638) shortfall for the 2025 annual reserve account contribution

Reserve Income/Expenses

30-Year Income/Expense Detail

Report # 13409-2
With-Site-Visit

| Fiscal Year | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|------------------|------------------|------------------|------------------|------------------|
| Starting Reserve Balance | \$328,761 | \$327,511 | \$337,780 | \$360,059 | \$391,202 |
| Annual Reserve Funding | \$45,000 | \$46,350 | \$47,741 | \$49,173 | \$50,648 |
| Recommended Special Assessments | \$0 | \$0 | \$0 | \$0 | \$0 |
| Interest Earnings | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Income | \$373,761 | \$373,861 | \$385,521 | \$409,232 | \$441,850 |
| # Component | | | | | |
| Sites & Grounds | | | | | |
| 21180 Trails - Refurbish | \$16,500 | \$16,995 | \$17,505 | \$18,030 | \$18,571 |
| 21190 Asphalt - Seal/Repair | \$0 | \$6,695 | \$0 | \$0 | \$0 |
| 21200 Asphalt - Resurface | \$0 | \$0 | \$0 | \$0 | \$0 |
| 21240 Bridge - Replace Deck/Rails | \$0 | \$0 | \$0 | \$0 | \$0 |
| 21390 Stucco Walls – Repair/Paint | \$0 | \$11,330 | \$0 | \$0 | \$0 |
| 21540 Pond - Liner Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| 21610 Sign/Monuments - Refurbish Allowance | \$0 | \$0 | \$0 | \$0 | \$0 |
| 21660 Site Pole Lights - Replace - 10% | \$10,000 | \$0 | \$0 | \$0 | \$11,255 |
| 23200 Gazebo Wood Deck - Resurface/Restore | \$4,500 | \$0 | \$0 | \$0 | \$0 |
| 23350 Gazebo Trim - Repaint | \$0 | \$1,061 | \$0 | \$0 | \$0 |
| 23570 Gazebo Roof: Shingle - Replace | \$0 | \$0 | \$0 | \$0 | \$0 |
| Mechanical | | | | | |
| 25340 IT Equipment – Update/Replace | \$4,950 | \$0 | \$0 | \$0 | \$5,571 |
| 25570 Irrigation Clocks - Replace | \$0 | \$0 | \$7,957 | \$0 | \$0 |
| 25610 Lake/Pond Aerators - Replace | \$10,300 | \$0 | \$0 | \$0 | \$0 |
| Total Expenses | \$46,250 | \$36,081 | \$25,462 | \$18,030 | \$35,397 |
| Ending Reserve Balance | \$327,511 | \$337,780 | \$360,059 | \$391,202 | \$406,452 |

Stucco Walls Repair is needed this year

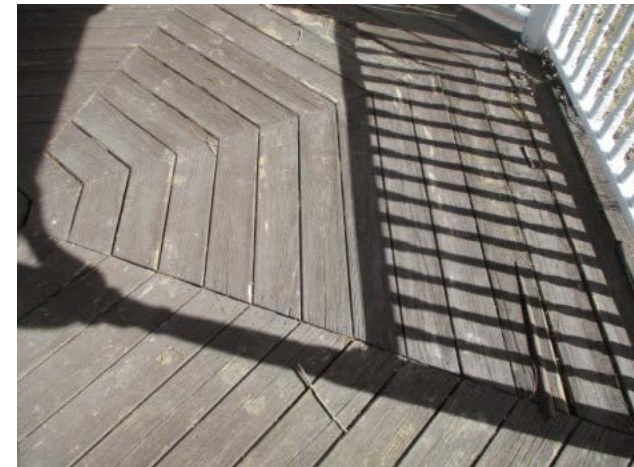
Current Reserve Examples

STUCCO WALL

- Stucco has fallen off the wall @ Hwy 105 and Archer's
- \$11K 2026 Reserve spend forecast and all options exceed the reserve estimate
- Options are: Spot Repair \$20K; Demo \$50K; Restoration/Replacement \$150K-200K



GAZEBO



- Gazebo is deteriorating
- Reserve spend forecast is \$7K in 2025/2026
- Decision made to remove the gazebo using HOA member volunteers
- Decision saves the ongoing reserve costs needed to maintain the asset

2025 Financial Goals: DRAFT

1. Review Reserve Spend forecast periodically with a focus on efficient and effective use of funds and maintaining adequate reserves.
2. Complete quarterly Operating Budget Forecast with board members providing input on their areas of responsibility.
3. Review and secure competitive bids for open space maintenance contracts by July 1, 2025.
4. Develop a strategic trails program that addresses trail sections with recurring issues including potentially strategically spending reserve funds to invest where the long-term reserve expenses for trails are optimized.
5. Achieve an additional \$10,000 improvement over the 2024 \$35,968 Net Operating Income allowing the full funding of the \$45,000 annual reserve contribution requirement.



Open Discussion

- Are the proposed goals on track?
- What other issues should the board be addressing?

Seeking the community's input



Appendix

2024 Income Statement Update

Profit and Loss

January - December 2024

| | TOTAL | | | |
|--------------------------------|------------------|---------------------|-------------------|-----------------|
| | JAN - DEC 2024 | JAN - DEC 2023 (PY) | CHANGE | % CHANGE |
| Income | | | | |
| Annual Insurance Fee | 13,275 | 10,620 | 2,655 | 25.00 % |
| Annual Member Assessments | 159,300 | 159,300 | 0 | 0.00 % |
| Billable Expense Reimbursement | 600 | 625 | (25) | (4.00 %) |
| Enforcement Trust Fund Fees | 3,100 | 1,700 | 1,400 | 82.00 % |
| Interest Income | 21,596 | 15,207 | 6,389 | 42.00 % |
| Late Fee Income | 150 | 600 | (450) | (75.00 %) |
| Mailbox Sales | 1,640 | 2,875 | (1,235) | (43.00 %) |
| Miscellaneous Income | 12,510 | 18,300 | (5,790) | (32.00 %) |
| Total Income | \$212,171 | \$209,227 | \$2,944 | 1.00 % |
| GROSS PROFIT | \$212,171 | \$209,227 | \$2,944 | 1.00 % |
| Expenses | | | | |
| Administrative | 110,939 | 106,173 | 4,766 | 4.00 % |
| Advertising/Promotional | 111 | 110 | 0 | 0.00 % |
| Bad Debts | (206) | 2,424 | (2,630) | (108.00 %) |
| Billable Expenses | | 2,200 | (2,200) | (100.00 %) |
| Federal Income Tax | 4,130 | | 4,130 | |
| Insurance | 9,802 | 11,134 | (1,332) | (12.00 %) |
| Mailbox Expense | 1,546 | 2,520 | (975) | (39.00 %) |
| Maintenance | 22,828 | 24,959 | (2,131) | (9.00 %) |
| Professional Fees | 13,485 | 15,178 | (1,693) | (11.00 %) |
| Utilities | 9,453 | 8,364 | 1,089 | 13.00 % |
| Water Co-Op | 4,116 | 5,354 | (1,238) | (23.00 %) |
| Total Expenses | \$176,204 | \$178,417 | \$ (2,213) | (1.00 %) |
| NET OPERATING INCOME | \$35,968 | \$30,810 | \$5,157 | 17.00 % |

Feb-25 Balance Sheet and Reserves

| | TOTAL | | | |
|--|--------------------|-------------------------|-------------------|----------------|
| | AS OF FEB 28, 2025 | AS OF FEB 29, 2024 (PY) | CHANGE | % CHANGE |
| ASSETS | | | | |
| Current Assets | | | | |
| Bank Accounts | | | | |
| Compliance Fee Acct - ENT | 15,100 | 27,750 | -12,650 | -46.00 % |
| Operating Cash & Equiv | 144,136 | 149,811 | -5,675 | -4.00 % |
| Reserve Cash & Equiv Unrestr | 339,168 | 330,904 | 8,263 | 2.00 % |
| Reserve Cash Water Initiative | 167,064 | 159,849 | 7,215 | 5.00 % |
| Reserve POPA Cash - FNB | 4,038 | 3,016 | 1,023 | 34.00 % |
| Total Bank Accounts | \$669,506 | \$671,330 | \$ -1,824 | -0.00 % |
| Accounts Receivable | \$1,558 | \$1,923 | \$ -365 | -19.00 % |
| Other Current Assets | \$4,617 | \$6,948 | \$ -2,331 | -34.00 % |
| Total Current Assets | \$675,681 | \$680,201 | \$ -4,520 | -1.00 % |
| TOTAL ASSETS | \$675,681 | \$680,201 | \$ -4,520 | -1.00 % |
| LIABILITIES AND EQUITY | | | | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ -175 | \$0 | \$ -175 | 0% |
| Other Current Liabilities | | | | |
| Accrued Expenses | 4,025 | 2,820 | 1,205 | 43.00 % |
| Compliance Fee Deposits | 15,100 | 27,750 | -12,650 | -46.00 % |
| Unearned Insurance Fees | 8,027 | 11,063 | -3,036 | -27.00 % |
| Unearned Owner Assessments | 132,750 | 132,750 | 0 | 0.00 % |
| Total Other Current Liabilities | \$159,902 | \$174,382 | \$ -14,480 | -8.00 % |
| Total Current Liabilities | \$159,726 | \$174,382 | \$ -14,656 | -8.00 % |
| Total Liabilities | \$159,726 | \$174,382 | \$ -14,656 | -8.00 % |
| Equity | | | | |
| Reserve Fund - POPA | 4,038 | 3,016 | 1,023 | 34.00 % |
| Reserve Fund - Unallocated | 339,168 | 331,140 | 8,028 | 2.00 % |
| Reserve Fund - Water Initiative | 167,064 | 159,849 | 7,215 | 5.00 % |
| Retained Earnings | 15,160 | 8,260 | 6,900 | 84.00 % |
| Transfer to Reserve Fund | -15,160 | 0 | -15,160 | |
| Net Income | 5,685 | 3,555 | 2,130 | 60.00 % |
| Total Equity | \$515,954 | \$505,819 | \$10,136 | 2.00 % |
| TOTAL LIABILITIES AND EQUITY | \$675,681 | \$680,201 | \$ -4,520 | -1.00 % |

Reserve Balance Increased \$8K over the past year



Financial Comments from Communications Forums

CLASSIC

- When is the budget approved? Let the community know ahead of time so they can review & participate in meetings.
- Form a budget committee. Provide sanitized data, when necessary to ensure privacy is protected.
- Send budget information to residents more regularly than just at the annual meeting (e.g. quarterly or monthly?)
- What is the plan for increasing annual dues? Don't leave requests for increasing fees open ended.
- How do we prioritize the assets we maintain? Priorities change. We would like to know the "why."
- Can any community members help with projects to defray costs (i.e. landscaping, IT etc.)?

HIGHLANDS

- How are our capital investments approved?
- Why are the Classic and Highlands voting thresholds so different, especially when it comes to approving necessary fee increases?
- Is it possible to open our common spaces to the public (those who do not live in King's Deer) for money-making ventures?