

While a full financial report will be given per our Bylaws at our annual meeting, we want you to understand why the BOD has agreed that an increase in our annual HOA fee is necessary. This document is a financial analysis showing the expenses 2003 – 2026. At the bottom of each column in the next to last row is the amount needed per each of our 88 lots to fund the expenses.

Beginning in 2024, it required \$155 for full funding but we only billed \$150. In 2025, \$169 was required but we only billed \$150. For 2026, \$215 was required but we only billed \$150. We tapped the reserves to fund the expenses of the HOA. Reserves generally cover major repair and replacement expenses for common areas and community assets but our common area is the front entrance, not a pool, pavilion, etc. so there are no deteriorating structures to replace. Our reserve funds represent 3 months of operating expenses, delinquent HOA fees, our insurance deductible, and projected legal expenses reduced by the amount that is budgeted. The current amount needed for those items is \$14,040 which exceeds our current account balance. The amount estimated (based on previous experience) to fund our HOA expenses for 2027 is \$16,429. It requires \$187 per lot to cover those. The difference between \$187 and \$200 per lot allows for a discretionary/contingency fund of \$1,144.

The Front entrance is our primary expense with 61% of our funds needed for maintenance and repair work in that area. We have a service provider contracted to mow, trim, weed, mulch, etc. at our entrance who recently increased the monthly rate from \$383 to \$425/month so it costs \$5,100/year for general lawncare. Administrative expenses, the items needed to operate our HOA is 21%, and a minimal amount for possible legal fees is 18%.

We are in the same position now as in 2006-2007 when expenses exceeded the funds from the incoming HOA annual fees. The fee was increased from \$100 to \$150. The BOD reviewed the proposed 2027 budget carefully and kept the increase to what is necessary to maintain the community and its reserves to support our community's long-term financial health. There will be plenty of time for questions at our annual meeting or you can ask questions online. All we ask is that the questions are focused on facts related directly to the budget increase and are respectfully asked as our FB group rules state. Please understand that we need to operate on a balanced budget plus a reserve given legal support required 3 years in a row.

#### **What Does This Mean for You:**

Your increased annual assessment at \$200 ensures continued maintenance, repairs and improvement as needed of the front entrance; adequate insurance coverage to protect against damages and liability; funds necessary for general administration of the HOA; and responsible reserve funding that prevents unexpected special assessments.

Financial Analysis Year-by-Year

|                           |                         | 2003-04      | 2006-07       | 2023          | 2024          | 2025          | 2026          | 2026          | 2027          |
|---------------------------|-------------------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                           |                         | ACTUAL       | ACTUAL        | ACTUAL        | ACTUAL        | ACTUAL        | BUDGET        | PROJECTED     | PROPOSED      |
|                           |                         |              |               |               |               |               |               |               |               |
| Front entrance            |                         |              |               |               |               |               |               |               |               |
|                           | Landscape imprvmt       |              | 7833          |               | 2335          | 1810          | 2,000         | 500           | 2,500         |
|                           | Water                   | 444          | 615           | 980           | 843           | 871           | 480           | 896           | 900           |
|                           | EPB                     | 636          | 468           | 385           | 385           | 393           | 492           | 427           | 500           |
|                           | L'scape maint           | 2460         | 1,875         | 4,620         | 4,620         | 4,620         | 4,620         | 4,859         | 5,100         |
|                           | Repair (Irrg, elect)    |              |               | 3004          | 603           | 919           |               | 1,953         | 1,000         |
|                           | Other (signs)           |              |               |               |               | 75            |               |               |               |
|                           | <b>Subtotal</b>         | <b>3,540</b> | <b>10,791</b> | <b>8,989</b>  | <b>8,786</b>  | <b>8,688</b>  | <b>7,592</b>  | <b>8,635</b>  | <b>10,000</b> |
| Admin                     |                         |              |               |               |               |               |               |               |               |
|                           | Quickbooks              |              |               |               | 459           | 469           | 504           | 508           | 510           |
|                           | POB                     |              |               | 332           | 367           | 360           | 360           | 390           | 360           |
|                           | Supplies                |              |               | 142           | 125           | 133           | 200           | 200           | 200           |
|                           | Stamps                  | 342          | 195           | 66            | 73            | 78            | 78            | 80            | 78            |
|                           | Bank Service charge     |              |               |               | 60            | 60            | 60            | 60            | 60            |
|                           | TN ann corp rpt         |              |               | 70            | 20            | 20            | 21            | 20            | 21            |
|                           | Insurance               |              |               | 1761          | 1663          | 1663          | 1,700         | 1,646         | 1,700         |
|                           | Prop records search     |              |               |               |               |               |               |               |               |
|                           | Misc                    | 4938         | 3688          |               |               |               |               |               |               |
|                           | Website dev             |              |               | 511           |               |               |               |               |               |
|                           | Phone                   | 196          | 213           |               |               |               |               |               |               |
|                           | Ann mtg expenses        |              |               | 469           | 48            | 486           |               | 500           | 500           |
|                           | Service charge          |              |               |               |               |               | 60            |               |               |
|                           | <b>Subtotal</b>         | <b>5,476</b> | <b>4,096</b>  | <b>3,351</b>  | <b>2,815</b>  | <b>3,269</b>  | <b>2,983</b>  | <b>3,404</b>  | <b>3,429</b>  |
| Attorney fees             |                         |              |               |               |               |               |               |               |               |
|                           | Multiple                |              |               |               | 2049          | 2939          | 1,000         | 6,908         | 3,000         |
| Contingency               |                         |              |               |               |               |               |               |               |               |
|                           | Other                   |              |               |               |               |               | 160           |               |               |
| Front entrance            |                         | 3,540        | 10,791        | 8,989         | 8,786         | 8,688         | 7,592         | 8,635         | 10,000        |
| Admin                     |                         | 5,476        | 4,096         | 3,351         | 2,815         | 3,269         | 2,983         | 3,404         | 3,429         |
| Attorney fees             |                         |              |               |               | 2,049         | 2,939         | 1,000         | 6,908         | 3,000         |
| Discretionary/Contingency |                         |              |               |               |               |               | 160           |               | <b>1,144</b>  |
| <b>TOTALS</b>             | <b>Minimum expenses</b> | <b>9,016</b> | <b>14,887</b> | <b>12,340</b> | <b>13,650</b> | <b>14,896</b> | <b>11,735</b> | <b>18,947</b> | <b>17,573</b> |
|                           | calc per 88 lots        | <b>102</b>   | <b>169</b>    | <b>140</b>    | <b>155</b>    | <b>169</b>    | <b>133</b>    | <b>215</b>    | <b>200</b>    |
|                           | assessed per 88 lots    | 100          | 100           | 150           | 150           | 150           | 150           | 150           | 200           |

2026 Landscape improvements were placed on hold due to legal fees for a lawsuit.  
Monthly costs for landscape mainenance increased from \$383 to \$425.  
Irrigation repairs were required due to leaks.  
For 3 years, it has been necessary to have attorneys address covenant violations.  
The 2026 legal fees are to enforce a covenant restriction we have been working since August 2025.  
A trial date has been set for October 2026; our insurance carrier is providing our defense.