

2019 Status Review

Overall Highland Oaks had a positive year with regard to our financial position. While there were a few areas of higher than planned spending, they were offset with savings in other areas, which gave a net positive result. This is reflected in an operating account balance increase of about \$23,000, plus an addition to the reserve balance of \$15,000.

2019 Projects Completed

Updated the reserve study to determine funding needs

Completed Pavilion repair project

Replaced old picnic tables at pavilion

Purchased new umbrellas and bases for 2020

Bought a New pool vacuum

Replaced door and lock on pump room

Bought leaf blower for pool area

Hired new pool management company for 2020 (same amount of money, but more services included)

Started pool committee for 2020

Started tennis committee for 2020

Replaced tennis screens

Located and fixed irrigation system leak

Contracted pest control (to help with ants) at pool and tennis, starting in 2020

Resurrected community website and trying to keep current

Bought New Christmas décor for entrances

Hosted 4 Events: Easter Hunt, July 4th Pool Party, Ice cream Social Pool Party, Chili Cook-Off

Reserve Study

One 2019 beneficial expense, that had not been budgeted, was the fee for an update of our capital reserve study. As mentioned in last year's annual meeting this study was necessary to assess our potential capital spending requirements for the next several years. The last reserve study was about 10 + years ago and was outdated.

Our community is now twenty six years old. This means that our community property in general has reached or is approaching its normal-use life expectancy. Over the years, some repairs and maintenance have been performed, but we are soon facing the inevitable need for major repair or replacement costs.

The updated reserve study assessed the infrastructure and equipment with regard to current condition, expected remaining useful life, cost estimates for repair or replacement, cost estimates of operating and capital expense (possibly requiring an increase in the operating budget), and adequacy of our reserve balance to pay for the future projects.

Major components of the study included: The Parking Lot, Pavilion, Pool and Pool Area, Tennis Courts, Irrigation System, Playground, Entryway Signs, Electrical and Lighting Systems.

The results of the reserve study indicate that over the next 1-3 years there is a projected spending of up to \$100,000 and in years 4 and 5 a potential of \$150,000 or more.

The first project anticipated for 2020 is to repave the parking lot, which will be a significant expense. Although it has been patched up over the year it appears we are at the stage where a major replacement is required.

Annual Assessment Increase

Dues have remained the same for about a decade. However, it is vital that the community keep its income at a level to accommodate increased operating cost from inflation, higher maintenance expense, and also maintain a reserve account for major future repairs (reserve study items). Without adequate funding, the community would experience a deterioration of the common amenities, and would be forced to implement unexpected special assessments.

The goal of the Board is to keep future dues steady for as long as possible while the capital projects are completed. The small increase of \$4 a month per household should meet that goal for the foreseeable future. However, future boards will need to annually assess the actual financial position to see if any change in the assessment is needed since actual repair/replacement costs, or other unexpected expense could change that decision.

The board's practice is always to be as efficient and fiscally responsible with spending

community funds. We appreciate your support and help in keeping our neighborhood great.