

Deerwood Operating and Capital Account  
Analysis  
September, 2023

**Analysis**

At the annual meeting, some homeowners inquired about the possibility of raising annual fees for the purpose of having more funds for operating and capital expenses. A committee was created and assigned the task of performing an analysis.

**Four Year View (2020-2023)**

Page 3 shows a four year history (2023 projected) of Total income as well as total operating and capital expenses.

Operating Expenses are broken down by Recurring, Major and Other.

Capital Expenses include long-term (typically planned and provided for) improvements to the development.

**Recurring**

Includes electricity for wells, mowing and trees as well as taxes and insurance. These expenses average \$3,100.

**Major**

Includes expenses for wells (maintenance such as chlorine treatment, winterize, de-winterize) and repairs. The Development has six wells. Also includes maintenance of roads (repairs, crack fill, etc.). This category has averaged \$11,700 but has fluctuated from \$1,000 to \$20,000 depending on the unique circumstances of individual years.

**Other**

Other expenses vary from year to year and include Post Office Box expenses, mailings, etc. These expenses average \$600.

**Capital Expenses**

These are planned expenses, involving improvement of the Development's infrastructure. Given their discretionary nature, they can be altered or deferred depending on each year's experiences. In 2023, a multi-year effort was begun, using set aside funds for significant improvement in the paved roads in the Development.

### **General observations**

Annual fees have generally been sufficient for annual operating expenses (Fees in 2020 were lower and there was an operating loss. As a result, fees were increased to the current levels in 2021).

### **Scenarios**

To be completed once current cash is “trued up”

### **Final thoughts**

In a development of 68 owners (76 “units”), there are many factors to consider. Homeowner’s financial conditions vary considerably, and some are second homes versus primary residence. Current fees have been generally quite sufficient to meet operating expenses. The major source of discussion should be around Capital Expenses. What are the priorities and at what pace should such expenses be incurred.

**Exhibit 2**

	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>4 Yr.</u></b>	<b><u>Average</u></b>
	39,238	33,828	54,625	69,985		
Annual Dues	21,980	27,740	28,800	28,600	107,120	26,780
Other	450	500	3,579	129	4,658	1,165
	22,430	28,240	32,379	28,729	111,778	27,945
Operating Expenses						
Electricity for wells	3,023	3,073	3,080	3,400	12,576	3,144
Mowing/Tree	2,964	1,656	4,578	5,000	14,198	3,550
Taxes/Insurance	1,005	1,020	1,090	1,200	4,315	1,079
	6,992	5,749	8,748	9,600	31,089	7,772
Wells	8,001	1,007	5,699	17,500 *	32,207	8,052
Road	12,340	44	2,089		14,473	3,618
	20,341	1,051	7,788	17,500	46,680	11,670
Other	507	643	483	660	2,293	573
Total Operating Expenses	27,840	7,443	17,019	27,760	80,062	20,016
Net	(5,410)	20,797	15,360	969	31,716	7,929
Capital Expenses				40,000		
Ending Balance	33,828	54,625	69,985	30,954		

\* There are outstanding invoices (not yet received) for major well repairs and leak detection over the course of the summer and into fall.