

HIGHLANDS PROPERTY OWNERS' ASSOCIATION, INC.
ANNUAL MEETING OF MEMBERS
MAY 20, 2023

An Annual Meeting of the Property Owners ("Members") of the Highlands Property Owners' Association, Inc. (the "Association") was held outdoors at the Highlands Pavilion, White Bluff Resort on Lake Whitney, on Saturday, May 20, 2023 at 2:00 pm. Members of the Association were properly notified of this meeting and were invited to attend. The Agenda for this meeting is attached to these minutes.

Gerry Mayer, President and Director of the Association, called the meeting to order at 2:05 pm and began by welcoming all Members in attendance and introducing Board members Tommy Edgar and Michael Pollard.

Mr. Edgar reported that valid proxies for 77 lots had been submitted prior to the meeting, representing 27% of all voting lots in the Highlands, and stated that the Association's Bylaws require 25% to establish a quorum. Mr. Mayer declared that a quorum existed.

Mr. Mayer then provided a report on the operations of the Association.

Entrance Beautification Project

- Collected \$4,625 from condo/home owners
- C&C Landscaping planted 12 Crepe Myrtles, 4 Sage and 2 Yucca for a cost of \$4,000.
- The remaining \$625 will be used to purchase seasonal flowers and any plants needed at pool.
- Thank you to all who contributed to this cause.

Pool

- Sylvia Littlefield has volunteered to manage the pool this year.
- Thank you, Sylvia and Bobby, for cleaning the tables at the Pavilion, and thanks to Tommy for his efforts.
- Decided to postpone for another year the work at the pool but will probably have to replace the coping next year, estimate \$10-20k
- Had a to replace a pump a couple of weeks ago and they usually cost close to \$1,000

Lawn and Roads

- WBPOA will continue to provide lawn maintenance at the entrance and pool. Mr. Mayer offered a special thanks to Jimmy T and Sue Ellen for helping us out. WBPOA will bill us for the cost of those services monthly.
- Michael Shelton will be doing the weed and feed this year using the same products he uses on the golf courses. WBPOA will bill us as work is done.
- The road crew, Rich Ashton and his men, have been doing weed control along the roads and are doing a good job.

Mr. Mayer then called on Mr. Pollard to report on the financial condition of the Association. Mr. Pollard presented the financial reports of the Association prepared by Associa for the year ended December 31, 2022, consisting of a comparative Balance Sheet (December 31 and November 30, 2022) and an Income Statement for the month and year ended December 31, 2022. Mr. Pollard also distributed a copy of the Operating Budget of the Association for the calendar year 2023 (as approved in an open Board meeting held on December 8, 2022). Copies of these reports are attached to these minutes.

Following is a summary of the key financial matters discussed:

- **Financial Overview:** The Association's current financial condition is very good. We closed the 2022 fiscal year with \$56K in the bank, up \$11K from 2021. And more recently, our cash balance at the end of April 2023 totaled \$85K, and that's after the \$10K note payment to Double Diamond made in April. We have now made five of the ten annual installment payments on our note payable to Double Diamond. We have reduced the principal due on the note from the original \$75K to just over \$42K. This level of liquidity is a huge plus for our Association. It gives us financial flexibility to plan for capital improvements and major maintenance, while at the same time having a cash reserve for those unexpected big-ticket repairs that always seem to pop up.
- **Operating Cash Flow:** Cash flow from operations for 2022, excluding principal and interest on the note payment to DDI, totaled ~\$20,000. Income from maintenance fees totaled ~\$51K, and expenses totaled ~\$31K. Debt service to DDI is \$9,713 per year, P&I. Expenses for 2022, mainly grounds and pool maintenance, were lower than normal, but we expect 2023 to normalize closer to the budget amount.
- **Assessment Collections:** As mentioned, we collected \$51K in maintenance fees in 2022. Of that amount, \$46K applied to 2022 assessments, resulting in an "as-billed" collection rate of ~72%. That rate is down from 77% for 2021. The remaining \$5K of 2022 collections were applicable to prior year assessments (2021 and earlier). We are cautiously optimistic that Flatiron, an investor that currently owns 54 lots in the Highlands, will soon begin a marketing effort that could transition many of those lots into our single-lot assessment category, adding \$300 per lot per year in additional cash flow.

Mr. Mayer then led a question/answer time open to all Members in attendance.

The meeting was adjourned at 2:30 pm.

Highlands Property Owners' Association, Inc.
Annual Meeting of Property Owners/Members
Highlands Pavilion
White Bluff Resorts on Lake Whitney
Saturday, May 20, 2023
2:00 p.m.

Agenda

1. Welcome..... Gerry Mayer
2. Call to Order..... Gerry Mayer
3. Confirm Quorum..... Tommy Edgar
4. Report on Operations..... Gerry Mayer
5. Report on Financial Condition..... Michael Pollard
8. Questions/Answers..... Gerry Mayer
9. Adjournment..... Gerry Mayer

Balance Sheet Report

Highland POA

As of December 31, 2022

	<u>Balance Dec 31, 2022</u>	<u>Balance Nov 30, 2022</u>	<u>Change</u>
<u>Assets</u>			
Operating Funds			
1000 - Pacific Premier Bank Operating	46,221.59	47,619.81	(1,398.22)
1010 - Peoples Bank #2569	9,721.88	9,721.88	0.00
Total Operating Funds	55,943.47	57,341.69	(1,398.22)
Accounts Receivable			
1500 - Residential Assessments Receivable	96,432.54	96,922.54	(490.00)
1525 - Allowance for Doubtful accounts	(96,432.54)	(75,376.17)	(21,056.37)
Total Accounts Receivable	0.00	21,546.37	(21,546.37)
Prepaid Expenses			
1600 - Prepaid Insurance	769.12	960.46	(191.34)
Total Prepaid Expenses	769.12	960.46	(191.34)
Other Current Assets			
1700 - Refundable Deposits	1,250.00	1,250.00	0.00
1735 - Other Receivables	2,003.89	0.00	2,003.89
1799 - Clearing Account	(123.00)	(123.00)	0.00
Total Other Current Assets	3,130.89	1,127.00	2,003.89
Buildings			
1800 - Building	4,500.00	4,500.00	0.00
Total Buildings	4,500.00	4,500.00	0.00
Total Assets	64,343.48	85,475.52	(21,132.04)
<u>Liabilities</u>			
Accounts Payable			
2010 - Delinquency Fee Payable	20,990.20	20,150.20	840.00

Balance Sheet Report

Highland POA

As of December 31, 2022

	<u>Balance Dec 31, 2022</u>	<u>Balance Nov 30, 2022</u>	<u>Change</u>
<u>Liabilities</u>			
Accounts Payable			
2030 - Payable to Double Diamond	1,643.28	1,437.87	205.41
Total Accounts Payable	22,633.48	21,588.07	1,045.41
Accrued Expenses			
2395 - Other Accrued Expenses	1,509.47	1,041.45	468.02
Total Accrued Expenses	1,509.47	1,041.45	468.02
Prepaid Assessments			
2550 - Prepaid Assessments	2,783.86	2,203.86	580.00
2595 - Deferred Revenue	0.00	5,385.75	(5,385.75)
Total Prepaid Assessments	2,783.86	7,589.61	(4,805.75)
Other Liabilities			
2026 - New Account Setup Fee	0.00	45.00	(45.00)
Total Other Liabilities	0.00	45.00	(45.00)
Notes Payable - Long term			
2800 - Notes Payable - Long term	49,299.41	49,299.41	0.00
Total Notes Payable - Long term	49,299.41	49,299.41	0.00
Total Liabilities	76,226.22	79,563.54	(3,337.32)
<u>Owners' Equity</u>			
Owners Equity - Prior Years			
3000 - Owners Equity	(32,735.30)	(32,735.30)	0.00
Total Owners Equity - Prior Years	(32,735.30)	(32,735.30)	0.00

Balance Sheet Report

Highland POA

As of December 31, 2022

	<u>Balance Dec 31, 2022</u>	<u>Balance Nov 30, 2022</u>	<u>Change</u>
<u>Owners' Equity</u>			
Capital Reserves - Prior Years			
3102 - Repair and Replacement Reserve	6,086.00	6,086.00	0.00
Total Capital Reserves - Prior Years	6,086.00	6,086.00	0.00
Capital Reserves - Current Year			
3276 - Rpr & Replacement Reserve - Current Yr	6,000.00	6,000.00	0.00
Total Capital Reserves - Current Year	6,000.00	6,000.00	0.00
Total Owners' Equity	(20,649.30)	(20,649.30)	0.00
 Net Income / (Loss)	 8,766.56	 26,561.28	 (17,794.72)
Total Liabilities and Equity	64,343.48	85,475.52	(21,132.04)

Income Statement Report

Highland POA

December 01, 2022 thru December 31, 2022

	Actual	Current Period Budget	Variance	Actual	Year to Date (12 months) Budget	Variance	Annual Budget	Budget Remaining
<u>Income</u>								
Assessment Income								
4000 - Residential Assessments	5,273.59	4,167.00	1,106.59	63,739.05	50,000.00	13,739.05	50,000.00	(13,739.05)
Total Assessment Income	5,273.59	4,167.00	1,106.59	63,739.05	50,000.00	13,739.05	50,000.00	(13,739.05)
Collections Income								
4700 - Collection Processing Fees	0.00	0.00	0.00	61.92	0.00	61.92	0.00	(61.92)
4710 - Late Fees & Interest	(30.00)	0.00	(30.00)	3,800.00	0.00	3,800.00	0.00	(3,800.00)
Total Collections Income	(30.00)	0.00	(30.00)	3,861.92	0.00	3,861.92	0.00	(3,861.92)
Total Operating Income	5,243.59	4,167.00	1,076.59	67,600.97	50,000.00	17,600.97	50,000.00	(17,600.97)
<u>Expense</u>								
Administrative								
5000 - General Administrative	0.00	0.00	0.00	5.00	0.00	5.00	0.00	(5.00)
5010 - Bad Debt	22,244.21	0.00	22,244.21	24,461.23	0.00	24,461.23	0.00	(24,461.23)
5025 - Collection Charges	(2,003.89)	0.00	(2,003.89)	381.51	0.00	381.51	0.00	(381.51)
5060 - Interest Incurred	205.41	0.00	205.41	2,579.95	0.00	2,579.95	0.00	(2,579.95)
5090 - Office Supplies	62.52	0.00	62.52	131.37	0.00	131.37	0.00	(131.37)
5115 - Web Site Maintenance	0.00	0.00	0.00	190.11	0.00	190.11	0.00	(190.11)
5195 - Other Administrative Services	3.24	0.00	3.24	11.35	0.00	11.35	0.00	(11.35)
Total Administrative	20,511.49	0.00	20,511.49	27,760.52	0.00	27,760.52	0.00	(27,760.52)
Communications								
5210 - Printing & Copying	87.62	0.00	87.62	(103.08)	0.00	(103.08)	0.00	103.08
5215 - Postage	155.94	0.00	155.94	1,705.42	0.00	1,705.42	0.00	(1,705.42)
5225 - Newsletter Services	33.75	0.00	33.75	81.45	0.00	81.45	0.00	(81.45)
Total Communications	277.31	0.00	277.31	1,683.79	0.00	1,683.79	0.00	(1,683.79)
Insurance								
5400 - Insurance Premiums	191.34	0.00	191.34	2,676.88	2,400.00	276.88	2,400.00	(276.88)
Total Insurance	191.34	0.00	191.34	2,676.88	2,400.00	276.88	2,400.00	(276.88)

Income Statement Report

Highland POA

December 01, 2022 thru December 31, 2022

	Actual	Current Period Budget	Variance	Actual	Year to Date (12 months) Budget	Variance	Annual Budget	Budget Remaining
<u>Expense</u>								
Utilities								
6000 - Electric Service	780.14	375.00	405.14	6,113.56	4,500.00	1,613.56	4,500.00	(1,613.56)
6015 - Water Service	448.72	583.00	(134.28)	10,615.51	7,000.00	3,615.51	7,000.00	(3,615.51)
6040 - Telephone Service	75.43	83.00	(7.57)	854.93	1,000.00	(145.07)	1,000.00	145.07
Total Utilities	1,304.29	1,041.00	263.29	17,584.00	12,500.00	5,084.00	12,500.00	(5,084.00)
Landscaping								
6100 - Grounds & Landscaping - Contract	0.00	750.00	(750.00)	1,349.24	9,000.00	(7,650.76)	9,000.00	7,650.76
6110 - Landscape Repair & Maintenance	0.00	0.00	0.00	255.22	0.00	255.22	0.00	(255.22)
Total Landscaping	0.00	750.00	(750.00)	1,604.46	9,000.00	(7,395.54)	9,000.00	7,395.54
Repair & Maintenance								
6595 - Gate & Monument Repair & Maintena	0.00	108.00	(108.00)	0.00	1,300.00	(1,300.00)	1,300.00	1,300.00
6695 - Pool Supplies/Repair & Maintenance	140.00	750.00	(610.00)	2,940.00	9,000.00	(6,060.00)	9,000.00	6,060.00
Total Repair & Maintenance	140.00	858.00	(718.00)	2,940.00	10,300.00	(7,360.00)	10,300.00	7,360.00
Professional Services								
7020 - Legal Services	0.00	83.00	(83.00)	0.00	1,000.00	(1,000.00)	1,000.00	1,000.00
7040 - Management Fees	363.88	483.00	(119.12)	4,334.76	5,800.00	(1,465.24)	5,800.00	1,465.24
7095 - Other Professional Services	250.00	0.00	250.00	250.00	0.00	250.00	0.00	(250.00)
Total Professional Services	613.88	566.00	47.88	4,584.76	6,800.00	(2,215.24)	6,800.00	2,215.24
Total Operating Expense	23,038.31	3,215.00	19,823.31	58,834.41	41,000.00	17,834.41	41,000.00	(17,834.41)
Total Operating Income / (Loss)	(17,794.72)	952.00	(18,746.72)	8,766.56	9,000.00	(233.44)	9,000.00	233.44
Total Association Net Income / (Loss)	(17,794.72)	952.00	(18,746.72)	8,766.56	9,000.00	(233.44)	9,000.00	233.44

**Highlands Property Owners Association, Inc.
Annual Operating Budget Proposal for 2023
As Compared to 2021 Actual, 2022 Budget and 2022 Estimated**

	2023 Board Approved	2022 Estimated	2022 Budget	2021 Actual	
Income					
Maintenance fees	\$ 50,000	\$ 50,000	\$ 50,000	\$ 48,000	Note 1
Expenses					
Electricity	6,000	6,000	4,500	4,200	
Water/Sewer	8,000	10,000	7,000	(5,600)	
Telephone/Data	1,000	1,000	1,000	1,200	
Insurance	2,400	2,400	2,400	2,200	
R&M - Grounds	13,000	7,000	9,000	8,200	Note 2
R&M - Pool/Pavillion	7,000	6,000	9,000	7,000	Note 2
R&M - Entry	1,000	500	1,300	1,400	Note 2
Management and Accounting Fees	6,000	5,000	5,800	7,100	
Legal and Collections	-	1,000	1,000	1,000	
Total Expenses	44,400	38,900	41,000	26,700	
Operating Cash Flow (Deficit)	\$ 5,600	\$ 11,100	\$ 9,000	\$ 21,300	
Supplemental Information:					
Cash committed for annual debt service to DDI (due May 1)	\$ 9,713	\$ 9,713	\$ 9,713	\$ 9,713	Note 3
Cash committed for major repairs to pool/pavilion	\$ -	\$ -	\$ -	\$ -	

2023 Budget Notes:

- Budgeted annual maintenance fees collected from property owners is based on a Board analysis of current Property Owner accounts.
- Budgeted repairs and maintenance costs for grounds, pool/pavilion and front gate are based on interim estimates made by the board pending final agreement with potential service contractors.
- At the annual meeting of the Association's property owners held on April 26, 2018, the directorship of the Association changed from a board controlled by Double Diamond, Inc. ("DDI") to an independent board comprised solely of the Association's property owners. In connection with this change of control, the Association issued an unsecured promissory note to DDI in the principal amount of \$75,000, bearing interest at 5% and payable in 10 equal annual installments of \$9,712.84 beginning May 1, 2019. The promissory note was issued in full settlement of all then-existing obligations to DDI and its affiliates, whether known or unknown, including approximately \$87,000 of recorded indebtedness to DDI and its affiliates as of the date of the change of control.