

Financial Review

Ted Lenski



Financial Review

Key Highlights

- Inverness Owners continue to meet their monthly commitments – THANK YOU!
- Inverness Long Term Capital Reserve Accounts have increased per 2024 plan
- \$210,000 invested in CD's averaging nearly 5%. Will provide nearly \$5,500 in interest income
- Operating Expenses continue to increase in key areas (insurance (5%), services (11%), maintenance (5%))
- Maintenance expenses are in line with budget, but buildings are aging, and repairs will increase over the next several years
- New contracts are up for renewal in 2024 (Landscaping, Insurance)
- 8-year Long term capital plan in place and funding plan will cover anticipated expenses
- Key Long-term projects – Driveway replacement (2026), Painting Plan (2027-2030), Repair Plan (2 buildings per year)
- Roof Loan is being paid down per plan and will be completed in late 2025
- Overall financial health of the HOA is excellent!

Financial Summary August 2024

	2022	2023	2024 est	2025 proj
Assets - Operating	\$ 57,792.21	\$ 70,990.29	\$ 20,014.74	\$ 20,934.74
Assets - Reserve/Capital	\$ 85,011.69	\$147,851.12	\$254,001.34	\$276,516.34
Other Assets	\$ (1,889.35)	\$ (16,901.20)	\$ (1,889.35)	\$ (1,889.35)
Total Assets	\$140,914.55	\$201,940.21	\$272,126.73	\$295,561.73
Liabilities	\$ (56,552.11)	\$ (35,078.95)	\$ (15,394.58)	\$ -
Total Equity	\$ 84,362.44	\$166,861.26	\$256,732.15	\$295,561.73

Comments

- Operating assets decreased in 2024 due to moving funds to reserves (per HOA by-laws) and overall expenses lower than budget
- Reserve/Capital assets increased in line with budget due to below plan spend on capital, increases in return on investments and movements of funds from operating to reserves.
- Liabilities decreased due to monthly payments from owners for roof loan
- Funds are being invested in CD's on a rotating basis to maximize value and minimize risk. Currently, nearly 85% of our assets are invested in CD's averaging nearly 5% interest
- Over the last two years, we have tripled the equity of the HOA, minimized costs, maximized return on investments and covered the 8-year capital plan

2025 Budget Review

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2025 Proposed Inverness Budget – Operating Income

		<u>2023 Year End</u>	<u>2024 Budget</u>		<u>2024 Year End (proj)</u>	<u>Variance to 2024 Budget</u>	<u>Proposed 2025 Budget</u>
Operating Income							
	Operating Assessment Income	\$ 146,655.75	\$ 153,600.00		\$ 153,600.00	\$ -	\$ 174,720.00
	Loan Assessment Income	\$ 23,031.80	\$ 23,691.00		\$ 23,691.00	\$ -	
	Late Fee		\$ -			\$ -	\$ -
	Taxable Interest	\$ 3,532.98	\$ 3,700.00		\$ 5,821.00	\$ 2,121.00	\$ 5,500.00
	Total	\$ 173,220.53	\$ 180,991.00		\$ 183,112.00	\$ 2,121.00	\$ 180,220.00
Reserve Income							
	Assessment Income	\$ 69,019.73	\$ 71,040.00		\$ 71,040.00	\$ -	\$ 71,040.00
	TOTAL	\$ 69,019.73	\$ 71,040.00		\$ 71,040.00		\$ 71,040.00
Loan Assessment							
	Loan Assessment Income					\$ -	\$ 15,793.92
Tot Income		\$ 242,240.26	\$ 252,031.00		\$ 254,152.00	\$ 2,121.00	\$ 267,053.92

Comments

- Operating Expense Dues increase from **\$400 to \$455/month** (13.75% Increase)
- Long-Term Capital Dues stay flat at **\$185/month** (0% Increase)
- Total Monthly Dues increase from **\$585 to \$640/month** (9.4% Increase)
- Roof Assessments (6 owners) will continue at \$329/month until September 2025
- Total Income - \$267,053 (\$174,720 for operating expenses and \$71,040 for Long-term capital)
- Interest will be slightly lower in 2025 due to expected decrease in interest rates.

2025 Proposed Inverness Budget - Operating Expense

		<u>2023 Year End</u>	<u>2024 Budget</u>		<u>2024 Year End (proj)</u>	<u>Variance to 2024</u> <u>Budget</u>	<u>Proposed 2025</u> <u>Budget</u>
Operating Exp							
	Insurance Premium	\$ 32,237.50	\$ 32,647.00		\$ 35,664.00	\$ 3,017.00	\$ 38,000.00
	Rubbish Removal	\$ 9,062.88	\$ 9,516.00		\$ 9,334.80	\$ (181.20)	\$ 9,800.00
	Mgmt. Contract	\$ 12,750.00	\$ 12,750.00		\$ 12,750.00	\$ -	\$ 12,750.00
	Admin Expense	\$ 531.60	\$ 1,000.00		\$ 200.00	\$ (800.00)	\$ 500.00
	Loan Interest Expense	\$ 2,217.84	\$ 1,245.00		\$ 1,245.00	\$ -	\$ 300.00
	Legal, Accounting	\$ -	\$ 2,000.00		\$ -	\$ (2,000.00)	\$ 750.00
	Income Tax + State	\$ 80.14	\$ 200.00		\$ 1,056.00	\$ 856.00	\$ 1,500.00
	Monthly Grounds Maint	\$ 79,295.00	\$ 82,000.00		\$ 81,000.00	\$ (1,000.00)	\$ 88,138.00
	Pruning, Tree Care	\$ 9,360.00	\$ 5,000.00		\$ 1,500.00	\$ (3,500.00)	\$ 4,000.00
	Fertilization	\$ 3,830.00	\$ 4,022.00		\$ 6,500.00	\$ 2,478.00	\$ 6,825.00
	Dryer Duct Cleaning	\$ -			\$ 1,500.00	\$ 1,500.00	\$ 1,575.00
	Gutter Cleaning	\$ 4,001.50	\$ 8,000.00		\$ 5,000.00	\$ (3,000.00)	\$ 5,250.00
	Website Management	\$ 119.88				\$ -	
	Misc. Expenses	\$ -	\$ 500.00		\$ 200.00	\$ (300.00)	\$ 500.00
	Building Maint	\$ 6,360.37	\$ 10,000.00		\$ 3,000.00	\$ (7,000.00)	\$ 10,000.00
	Tot Op Expense	\$ 159,846.71	\$ 168,880.00		\$ 158,949.80	\$ (9,930.20)	\$ 179,888.00
	Net Op Income	\$ 13,373.82	\$ 12,111.00		\$ 24,162.20	\$ 12,051.20	\$ 332.00

Comments

- Insurance Premiums continue to increase but our claims history is improving
- Landscaping/Snow Removal was renewed with Pinnacle after a competitive bidding process
 - 2-year fixed rate contract at a 11% increase
 - Working with Owner of Pinnacle to improve performance
- Fertilization - Optimized to maximize health without pesticides/herbicides.
- Building rot and repairs are an on-going issue that will be addressed annually (2 bldgs./year)
- Landscaping costs are continuing to grow as shrubs become more mature
- Target is to keep operating assessments equal to operating expenses
- Total Expenses - \$179,888 - Net Operating income - \$332.00

2025 Proposed Inverness Budget – Long Term Capital Expense

	2025	2026	2027	2028	2029	2030	2031	2032
Painting Plan			\$ 66,228.77	\$ 67,884.49	\$ 27,832.64	\$ 57,056.92		
Repair Plan	\$ 21,525.00	\$ 22,063.13	\$ 22,614.70	\$ 23,180.07	\$ 23,759.57	\$ 48,707.12	\$ 24,962.40	\$ 25,586.46
Driveway Replacement		\$154,226.88						
Misc Expenses (mailboxes, gutters, siding)	\$ 2,000.00		\$ 2,000.00		\$ 1,000.00			
Landscaping	\$ 25,000.00	\$ 20,000.00	\$ 10,000.00	\$ 10,000.00	\$ 4,000.00	\$ 8,000.00		
Chimney Enclosures							\$ 50,000.00	
Yearly Spend	\$ 48,525.00	\$196,290.00	\$100,843.48	\$101,064.56	\$ 56,592.21	\$113,764.04	\$ 74,962.40	\$ 25,586.46
Year End Reserve Balance	\$276,515.00	\$155,882.60	\$135,614.47	\$120,362.65	\$155,161.00	\$138,727.92	\$167,422.99	\$252,231.73

Comments

- Key projects in 2025 – Landscaping improvement on the hill on Park Road
- On-going rot repair will be an annual expense going forward
- Plan to replace the driveways in 2026 – Cost estimate \$155,000
- Begin 8-year painting and major repair cycle in 2027 – Estimated cost of \$220,000 (with an inflation factor of 5%)
- Total 8-year spending plan is \$717,628 – By the end of 2025, we will have \$276,500 in reserves.
- Reserve Assessment is planned to increase 6.5%/year starting in 2026
- We will need to address long term expenditures (gutters, siding, roof) in the next several years