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May 1, 2019

We have enclosed the annual information that we request all members review and hopefully participate in, one way or another. All documents herein are legally required to be sent to the HOA members as per our governing documents as well as Washington State Law. You will find in this mailing:

- Proposed budget for 2019-2020
- Budget vs. Actual Report – comparison of budget to actual for last fiscal year, 2018-2019
- Profit & Loss statement – accrual
- Balance Sheet – accrual
- Notices
- Ballot information letter
- Bios of candidates

The following are terms and explanations regarding the financial information enclosed. Please note that our HOA's fiscal year is from June 1<sup>st</sup> through May 31<sup>st</sup>.

### **Proposed Budget:**

State laws for HOA's are set up in a way that the membership has a right to reject the budget by the majority of the membership at the annual meeting. This is why you are receiving this budget prior to the annual meeting.

Here are some important explanations of some of the expenses in the Proposed Budget:

- Audit expense: This figure is based on bids obtained from 2 CPA firms. This figure will be deleted from the budget if the membership votes to waive the audit. (see ballot enclosed)
- Reserve Study expense: Is a state-required study for a "reserve study professional" to evaluate the HOA's roads and advise a savings plan for major maintenance, repair and replacement costs. The Board is in the process of studying this law and requirements. The budget figure is based on a bid from a "reserve study professional" in January, 2018. The Board's goal is to have a complete report to the membership regarding the Reserve Study and Fund as soon as possible, and at the point will implement the statute requirements.
- Reserve Fund Savings: Currently the savings accounts we have, totaling \$47,000, is underfunded. This account will receive an additional \$3,000 this year.

(continued on reverse side)

### **Budget vs Actual:**

This report is a bit more complicated this year due to the fact that after the last Declarant-appointed Board resigned in March 2018, the Declarant appointed an interim Board for the purpose of conducting our first Board member election by the membership. This interim Board existed for 2 months. Because of legal requirements and time, the interim Board was put into the position to create the proposed budget for the last fiscal year (2018/2019). The budget was created mostly using 5 year averages for all expenses except for exact reoccurring expenses. Shortly after that budget was publicized to the membership we had our election for the now-existing Board. Throughout the year we did not use that budget for decisions that needed to be made as it was an unreliable budget. Instead we worked with what cash was on hand and focused on collections to be able to put funds into the roads and other needed expenses.

Explanations of some differences in the comparison between last year's budget and what was spent:

- Office supplies and postage are larger because the Board chose to send newsletters to the membership.
- Website expense is larger because the prior Board allowed the previous website to expire. A new website was needed. Some of the costs in this figure are fees that are applicable for 2 or more years.
- Meeting expense was added as an expense this year because the Board had frequent meetings, and they were held at the Oroville Senior Center. This allows the Board meetings to be held in a public place for all members to attend. This amount reflects \$40 per day fee.
- Legal fee amount is larger because the Board chose to get legal interpretation of many long-standing issues regarding the HOA (see HOA website for attorney question and answers). There are also fees in this figure for enforcing CCRs as there is a Lot Owner that is in significant direct violation of the CCRs. This Lot Owner is attempting to invalidate the CCRs as unenforceable via legal methods. Within reason, the Board is and will be spending funds to protect the CCRs which in turn protects our property values.
- Lien fees amount is larger because liens were filed on 3 years or more past due members' Lots, bringing this action up to date.
- Other income is larger. Due to implementing and conducting a collection policy, the HOA collected additional funds of interest, late fees and liens fees. Interest earned on our CD and donations of \$609 are also included in this figure.

### **Balance Sheet and Profit & Loss:**

The enclosed Balance Sheet and Profit & Loss statement is through May 1, 2019 (the date of this mailing). Given that this mailing needs to be mailed to all members a month prior to the year actually ending, the last month of the fiscal year (May 1<sup>st</sup> through May 31<sup>st</sup>) is not included in these statements. Please see the complete year end statements on the website as they will be posted as soon as this fiscal year ends. *Please email us at [treasurer@9mileranchhoa.org](mailto:treasurer@9mileranchhoa.org) or [bod@9mileranchhoa.org](mailto:bod@9mileranchhoa.org) with any questions you have.*

*Remember to check out the HOA website [9mileranchhoa.org](http://9mileranchhoa.org). We are always updating it with new reports and information.*

*Thank you for participating in your HOA. The Board needs your input and participation and appreciates you taking the time to vote.*