Aberdeen Financial Report

Board Meeting November 19, 2024

- Aberdeen HOA Mission Statement
- Operating Costs
- Reserve funds / Common areas
- 2024 Financial Statements YTD
- Complex Solutions Reserve Study Takeaways
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- 2025 Budget
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Aberdeen HOA Mission Statement

Enhance every Aberdeen homeowner’s home value by keeping our HOA community safe, well maintained, attractive, financially sound, and peaceful.

Annual Operating Costs

- Landscaping for homeowners and common areas
- Sprinkler maintenance for homeowners and common areas
- Water and Electricity to run sprinklers for homeowners and common areas
- Management fees to Welch Randall
- Snow removal for Lochlevan Lane
- Snow removal for common area sidewalks
- Insurance for common areas, liability, officers, etcetera
- Taxes and tax prep
- Office and misc.

Reserve Funds are mostly used to complete projects in the common areas of Aberdeen.

Common Areas include:

1-Mailbox area
2-Lochlevan Lane
3-Pond
4-Cul-de-sac
5-Sidewalks on Riverside

Mailbox area

As needed fencing repairs and replacement

A reserve project (Phase I) is budgeted for 2025 to replace dead grass with xeriscape or alternative

Lochlevan Lane

Lochlevan Lane was designed by the developer as a private street. More information can be provided upon request.

As needed fencing repairs and replacement

As needed maintenance of street to prolong life including seal coating, crack sealing, repair & replace or skin patch potholes, resurfacing/slurry, and repaving/overlay. A crack sealing and seal coating project is on our radar for early next year.

The Pond

The retention pond was designed to allow the development of Aberdeen. More information can be provided upon request.

As needed fencing repairs and replacement

As needed flushing of the pond to rid it of contaminants

As needed maintenance of pumps, sprinkler, lining replacement, etc.

Cul-de-sac

As needed fencing repairs and replacement

Landscaped strip

Sidewalks

Repair of sidewalks as needed.

October 2024 Balance Sheet

Assets		
Cash		
Checking	$	7,737.58
Savings	$	1.00
Money Market Account	$	119.50
5 year CD matures September 2027	$	53,505.99
HOA Board Checking	$	100.00
Total Cash Assets	**$**	**61,464.07**
Total Assets	**$**	**61,464.07**
Liabilities & Capital		
Liabilities		
Prepaid HOA fees	$	2,836.59
Total Liablilites	**$**	**2,836.59**
Capital		
Retained Earnings	$	53,302.87
Calculated Retained Earnings	$	4,811.48
Calculated Prior Years Retained Earnings	$	513.13
Total Capital	**$**	**58,627.48**
Total Liabilities and Capital	**$**	**61,464.07**

2024 Estimated Actual vs Budget

	Oct YTD	estimated total for 2024	2024 Budget	Over / Under Budget
Operating Income (HOA fees)	**$ 38,960.87**	**$ 46,860.87**	**$ 46,750.00**	**$ 110.87**
Operating Expenses				
Electricity and water for sprinklers	$ 6,355.85	$ 7,142.11	$ 8,500.00	**$ (1,357.89)**
Landscape Service + sprinkler maintenance	$ 21,700.00	$ 30,913.50	$ 22,000.00	**$ 8,913.50**
Insurance	$ 883.00	$ 883.00	$ 950.00	**$ (67.00)**
Fall BBQ	$ -	$ -	$ 1,000.00	**$ (1,000.00)**
Fencing project to repair vandalism	$ -	$ -	$ 1,700.00	**$ (1,700.00)**
Lochlevan Lane maintenance	$ -	$ -	$ 2,700.00	**$ (2,700.00)**
Miscellenaeous	$ 233.01	$ 1,383.01	$ 800.00	**$ 583.01**
Office Expense	$ 315.25	$ 365.25	$ 200.00	**$ 165.25**
Snow Plow (Lochlevan as needed)	$ 600.00	$ 600.00	$ 1,000.00	**$ (400.00)**
Tax + Tax Preparation	$ 740.00	$ 740.00	$ 800.00	**$ (60.00)**
Management Fees	$ 4,800.00	$ 5,760.00	$ 5,760.00	**$ -**
Total Operating Expenses	**$ 35,627.11**	**$ 47,786.87**	**$ 45,410.00**	**$ 2,376.87**
Operating Net Income	**$ 3,333.76**	**$ (926.00)**	**$ 1,340.00**	**$ (2,266.00)**
Interest Income (non operating income)	**$ 1,477.72**	**$ 1,769.72**	**$ 1,500.00**	**$ 269.72**
Net Income	**$ 4,811.48**	**$ 843.72**	**$ 2,840.00**	**$ (1,996.28)**

2024 Complex Solutions Reserve Study takeaways:

- The full report is posted on the website.
- The purpose of a reserve study is to provide our HOA with a budgeting tool to help ensure that there are adequate reserve funds to perform future reserve projects.
- 100% reserve funding is considered an “ideal” financial position. Action should be taken to maintain the financial strength of the reserve fund.
- Aberdeen HOA is currently at a 70% funded position which is on the cusp of the low end of a strong or the high end of a fair position.
- Without monthly reserve allocation fees included on top of operating cost fees, our reserve funds will be depleted.
- The recommended monthly reserve allocation for 2025 is calculated at $14.38 per month per unit. This is in addition to our operating cost fees.

Why are fees going up so quickly?

- **Failure to raise fees sooner** – By Utah State Statute, reserve studies should have been conducted every six years since 2002 (in 2008, 2014, and 2020) to determine the monthly recommended reserve fees per unit to sustain adequate reserves for future projects. Our annual budget should determine fee revenues needed to cover both operating costs and fees for reserve funding. This process has not been made a priority until now, but we are turning the page and moving forward.
- **Inflation** – The first Aberdeen HOA fees in 2002 were $69.65/month. Accounting **only** for inflation using the Consumer Price Index (CPI) from then to now, fees should be approximately $124/month.
- **Aging property** – Just like the costs associated with buying a new home, components either need to be repaired or replaced with time. The Aberdeen community is now over 22 years old with several components reaching their useful life.
- **Vandalism** – Unfortunately, our community has experienced damage by vandals.
- **Common HOA fee increases** – Fee increases for most HOA's range from 3 to 5% per year as informally discussed with Complex Solutions.

Inflation Calculator with U.S. CPI Data

Calculates the equivalent value of the U.S. dollar in any month from 1913 to 2024. Calculations are based on the average Consumer Price Index (CPI) data for all urban consumers in the U.S..

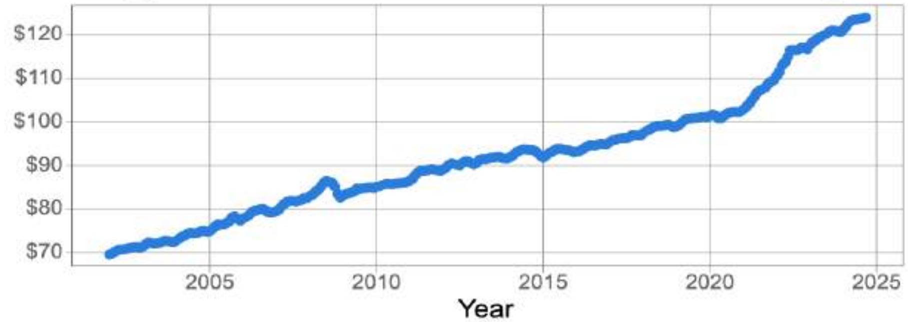
Result

$124.00 in Sep. 2024 equals $69.65 of buying power in Jan. 2002.

The total inflation rate from Jan. 2002 to Sep. 2024 is **78.04%**. The average inflation rate is **2.58%** per year.

The CPI of Jan. 2002 is 177.1 and the CPI of Sep. 2024 is 315.301.

Purchasing power of $69.65 in Jan. 2002 over time: Jan. 2002–Sep. 2024



$69.65 in January 2002 = ? in September 2024

Calculate Clear

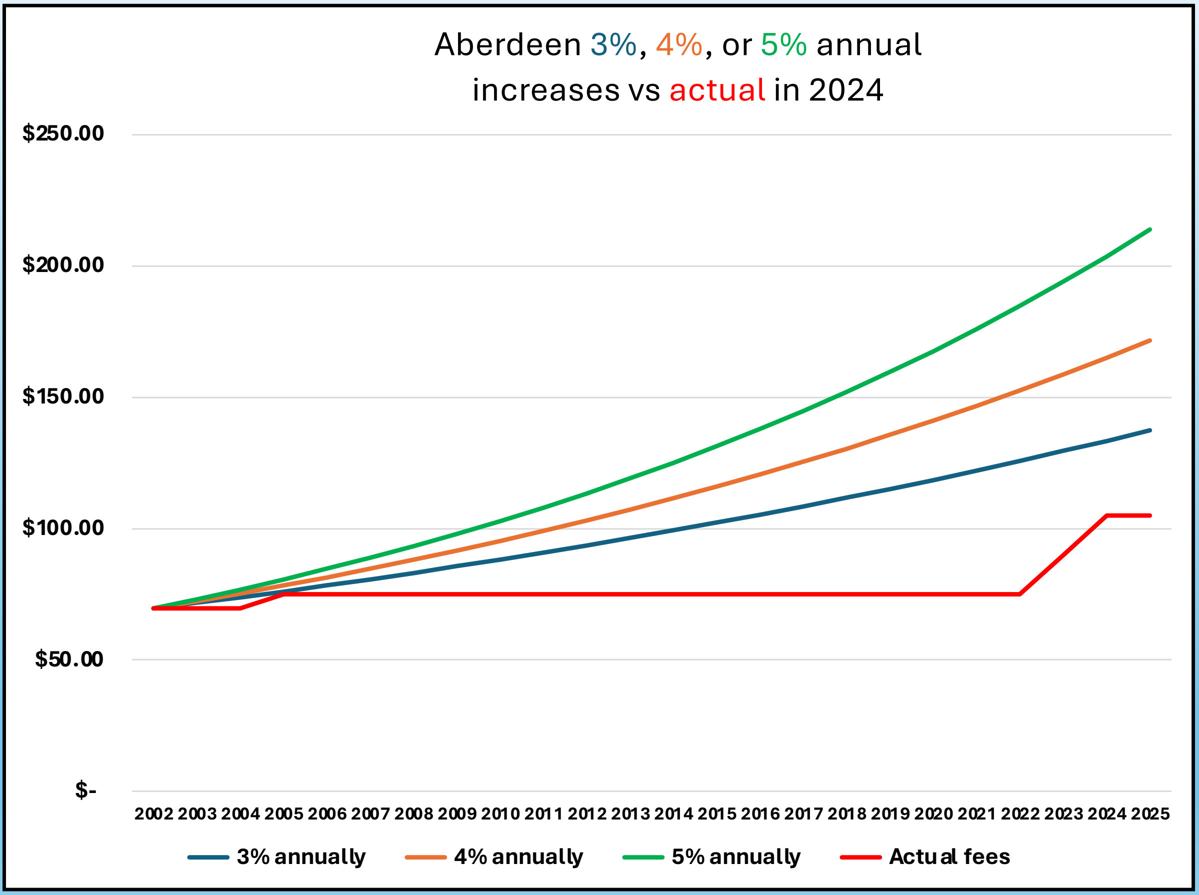
Fees calculation

2025 5% = $213

2025 4% = $171

2025 3% = $137

2024 actual = $105



Fees of nearby HOAs that are similar to Aberdeen

- Ridges at Murray – $185 per URE (north of Smiths)
- Murray Heights - $235 per URE (west of Smiths)
- Applegate - $346 per URE (diagonally across of Smiths)
- Inverness Square - $175 per website (4800 S 300 W)

Aberdeen HOA fees planned increases

- 2025 - $10 per month (from $105 to $115)
- 2026 - Additional $11 per month (from $115 to $126)
- 2027 - Additional $12 per month (from $126 to $137)

The fee increase for 2025 falls short of funding budgeted operating expenses while still providing the suggested reserve funding calculated by Complex Solutions of $14.38/per month per unit as you will be able to see on the next slide for the 2025 budget. Keep in mind we are playing catchup for years of fees that have been too low.

The planned fee increases will be evaluated every year during budget planning by the board. In 2027, Complex Solutions recommends a "level III" (lower level) reserve study, and fees would be reevaluated at that time if we choose to do it.

Aberdeen HOA
2025 Budget

Operating Income (HOA fees with 2025 increase)	**$**	**52,200.00**	
			% of total
Operating Expenses			**expenses**
Electricity and water for sprinklers	$	8,000.00	15.8%
Landscaping	$	20,000.00	39.6%
Sprinkler repair	$	12,000.00	23.7%
Snow Plow (Lochlevan as needed)	$	1,000.00	2.0%
Management Fees	$	5,760.00	11.4%
Insurance	$	1,000.00	2.0%
Office Expense / Miscellaneous	$	2,000.00	4.0%
Tax and tax preparation	$	800.00	1.6%
Total Operating Expenses	**$**	**50,560.00**	**100%**
Net Operating Income	**$**	**1,640.00**	
Reserve Projects			
Landscape mailbox project Phase 1	$	5,000.00	
Lochlevan Lane crack fill and seal coat	$	3,000.00	
Total Reserve Projects	**$**	**8,000.00**	
Interest Income (non operating income)	**$**	**1,500.00**	
Net Income	**$**	**(4,860.00)**	

How can we improve?

- **Board –** Continue with state mandated reserve studies, transparency, and encourage productive feedback from homeowners.
- **Homeowner participation** – All homeowners should be informed about what costs are involved in managing our HOA. Constructive input, ideas, and participation are wanted.
- **Budget wisely** – Discuss and evaluate needs and wants carefully.
- **Monitor vendors and expenses** – Ensure that vendors are vetted and that expenses are carefully reviewed.
- **Increase fees when needed** – Nobody likes fee increases. However, to fulfill our mission statement, fee increases are necessary. Not increasing fees could lead to a concerning reserve shortage and/or “special assessments.”