



## SPANISH PEAKS OWNERS ASSOCIATION ANNUAL MEETING

### AGENDA

**Date:** December 29, 2016  
**Time:** 9:00 AM MST  
**Location:** Spanish Peaks Mountain Clubhouse Dining Room

#### AGENDA

#### PRESENTER

- |                                    |                              |
|------------------------------------|------------------------------|
| 1) Establishment of quorum         | Bayard Dominick, President   |
| 2) Call to order                   | Bayard Dominick, President   |
| 3) Previous Year's Meeting Minutes | Motion to accept             |
| 4) President's Report              | Bayard Dominick, President   |
| 5) Manager's Report                | Ben Holst, Exec Dir          |
| 6) ARC Report                      | Norm Plaistowe, Chair        |
| 7) Financial Report                | Samantha Honatke, Accountant |
| 8) FY2017 Budget                   | Ben Holst, Exec Dir          |
| 9) New Business                    | Bayard Dominick, President   |
| 10) Adjourn                        | Bayard Dominick, President   |



## SPANISH PEAKS OWNERS ASSOCIATION ANNUAL MEETING

### **Annual Meeting**

December 29, 2015

9:00 A.M. MST

Spanish Peaks Mountain Clubhouse

### **Minutes**

#### **1) Call to order: 9:12am MT**

#### **2) Establishment of quorum**

Bayard Dominick, President

Present: Bayard Dominick, President; Dan Taft, Secretary; Mark Thorne, Treasurer. 100% of Board in attendance. Quorum established.

#### **3) Prior Year's Meeting Minutes**

*Motion to Accept*

**Mark Thorne moved to approve the 2014 Annual Meeting Minutes. The motion was seconded by Dan Taft and passed with all in favor.**

#### **4) President's Report**

Bayard Dominick, President

Bayard introduced Dan Taft as the SPOA Board member (replacing Karen Roberts) and Ben Holst, Executive Director of the SPOA will be taking over responsibilities previously handled by Alpine Property Management.

#### *Spanish Peaks Water System*

Bayard explained that the Spanish Peaks water system would be managed by the SPOA starting in 2016. Transitioning management from the Big Sky Water and Sewer District (BSWSD) became necessary when the stated they were no longer interested in managing a system that they did not own. At the same time the BSWSD stated they would only be willing to take ownership of the SP water system if it came with a payment of \$1.4 million to the BSWSD. Based on the large dollar amount and the desire to maintain control of the water system it was decided that the best course of action is for the SPOA to manage the SP water system.

The SPOA will start invoicing SP water users using the following water rates:

<b>SPOA Rates Effective January 1, 2016</b>	
Water Base Rate	\$41.00
<b>User Tier Rate</b>	
0-20,000 gal	\$2.96/1000 gal
20,000-30,000 gal	\$4.65/1000 gal
30,000-40,000 gal	\$6.12/1000 gal
Above 40,000 gal	\$7.14/1000 gal

The rates were thoroughly analyzed following feedback from owners in the summer of 2015. The increased rates are primarily result of lost economies-of-scale and do not fully cover the cost of operating the SP water system. Even with increased water rates the developer anticipates subsidizing \$187,650 of the water system budget.

Sewer management and billing will still be handled by the BSWSD.

#### *Rural Improvement District (RID)*

The Aspen Grove Owners Association (AGOA) and Spanish Peaks North (SPN) petitioned the county to have Spanish Peaks Owners Association (SPOA) share in the expense of repairing AGOA and SPN roads used by SPOA owners. Approval of all new subdivisions since the petition have required acceptance of terms of the petition. Since it is estimated that 10% of traffic across certain AGOA and SPN roads is SPOA traffic, 10% of road repairs have been charged to SP owners. To date this has been done through special assessments.

In 2015 the county established a RID for AGOA and SPN roads that would include a tax to SPOA owners included in the RID area. The cost to SP owners will be slightly less under an RID as compared to the current operating model, will be collected through taxes and spread out across multiple years versus being collected when repairs are done.

#### *Amended Spanish Peaks Covenants*

The most recent draft of the amended covenants has been sent to the Spanish Peaks Club Advisory for review and comment.

#### *Trails*

In 2015 two new trails were developed. The Mountain to Meadow trail was paid for by the Developer and will be open to the public. The Fish Camp trail was paid for by the SPOA and is open only to Owners, Club Members and guests.

Fall 2015 the trail through Ski Tip Glade (West end of Spanish Peaks) was converted from a mixed-use trail to hiking only, and resurfaced with wood chips from trees cut during the construction of the Highlands Ridge road. Also, significant erosion on West end of the gravel hiking trail was repaired.

Temporary signage has been installed on most SP trails. Permanent signage and a comprehensive map is being designed by a contractor with experience in trail mapping and signage. The current draft of the comprehensive map was displayed. Both map and signs will be done by summer 2016.

A Trails Committee has been formed to participate in the development of new trails, map and signage. John Romney and Kristen Brown have volunteered to sit on the Trails Committee.

### **5) Manager's Report**

Ben Holst, Exec. Dir.

Ben summed up activities managed by Alpine Property Management in 2015, including miscellaneous trail maintenance, forestry management and weed control. In fiscal year 2016 weed control on new trails will be a point of emphasis because disturbed soil can lead to the spread of noxious weeds. Thankfully several years of weed control in SP have gotten noxious weeds mostly under control.

#### *Forestry Management Plan*

Each year the SPOA budgets \$25,000 and works with Northwest Management, Inc. to secure matching fund through the state and/or Montana State University Extension. In 2015 there was a hang-up in the grant process so matching funds were not identified until the end of the fiscal year. Due to the delay forestry management did not start until late fall and will not be billed until fiscal year

2016. For this reason the \$25,000 budgeted in FY2015 for forestry management was rolled into FY2016.

A question was asked about burning in Spanish Peaks. Working with Northwest Management other options are always pursued, but burning of cut trees is kept as a last-resort option. Some burning of trees cut for the Highlands Ridge road occurred in the spring, but many trees were chipped to minimize burning.

#### *Speed Limit Plan*

The Board recognizes that speeding is an issue in parts of SP and has approved \$10,000 to fund a third-party traffic study in FY2016. A traffic study is a mandatory step in establishing legally enforceable speed limits. The traffic study will be conducted on primary, through streets in SP including Ousel Falls Rd, Ousel Falls View Rd, Mountain Valley Trail, Bitterbrush Trail and Settlement Trail. The goal is 35 mile per hour limits, but the traffic study will determine what limits are established.

A question was asked about speed limits between Firelight Condos and Spanish Peaks. Firelight is working to establish speed limits from Town Center to their area, but limits do not exist between Firelight and SP. The \$10,000 study approved by the SPOA Board will include the road between Firelight and SP.

The desire is to conduct the speed study as soon as possible, but snow plowing interferes with traffic counters used in the study. The study will be conducted after snow melts and at a time when more traffic is anticipated on SP roads.

An owner expressed concern about traffic passing in dangerous spots on South Fork Road. Ben will contact the engineer who established the RID on South Fork Road to investigate the possibility of extending no-passing zones.

A question was asked about the length of guardrails on South Fork Road. Ben will contact the engineer who established the RID on South Fork Road to inquire about this.

Attention was drawn to what may be road bed degradation on the East end of Elk Meadow Trail. Ben will work with Jon Olsen to evaluate road condition and develop a plan if necessary.

#### *Entryway Upgrade & Cairn Replacement*

During the summer of 2015 the landscaping at both Spanish Peaks entrances off of South Fork Road were completed. Stone placement was finished at the Wildridge entrance. Irrigation flower beds at both entrances completed. In 2016 the SPOA will contract with a local nursery to plant and maintain flower beds and pots at the entrances.

As part of a broader wayfinding and monument plan, the SPOA is working with the Lone Mountain Land Company to design and install updated monuments and signage throughout Spanish Peaks. DHM, a landscape architect firm from Bozeman, has been contracted to design a series of monuments and signs to complement the landscape design at the Spanish Peaks entrances. Examples of the design concepts were shown.

Due to the unstable nature of the cairn monuments at the entrance to Spanish Peaks Ranches neighborhoods, it is proposed that they be replaced with a new design that is more solid and in line with the aesthetic of entrance design. Final design and cost estimates have not been completed for the replacement monument, but design should be done by the summer of 2016. The SPOA Board budgeted \$150,000 in transfer assessment funds to start construction of the new monuments in 2016.

Norm Plaistowe, Spanish Peaks owner and ARC chair, was on hand to update the members on ARC activity in FY2015. Norm reported that the Architectural Review Committee continues to meet monthly to review plans for new construction in Spanish Peaks. The following numbers were presented:

- 8 - Plans under Review or Approved (Active)
- 13 - Properties Approved in 2014 and actively under construction
- 3 - Properties Approved in 2013 and actively under construction
- 1 - Properties substantially completed, but not finalized in 2013/14/15
- 1 - Expansion and Renovation

**7) Treasurer's Report FY2015**

Mark Thorne, Treasurer

Mark Thorne, SPOA Treasurer, presented the FY2015 SPOA finances. The financial health of the SPOA is very strong. The Reserve account is fully-funded based on the 2014 Reserve Study conducted by third-party contractor Reserve Advisors. The transfer assessment account balance is \$918,311.75. These funds are to be spent in a way that directly benefits the properties from whom the assessments were collected. The SPOA Board is considering potential expenditures from the transfer assessment account that would meet this criteria. For FY2016 the Board has budget \$150,000 for cairn replacement and \$30,000 for design and installation of hike/bike trail map and signs.

Notable variances from budget to actual include transfer assessment income exceeding the budgeted amount of \$102,186 by \$171,564 due to a higher number of property transfers than was anticipated. Security service was \$28,771 over budget due to an increase in security expense. Snow removal \$9,600 under budget due to actual costs being less than the contracted/budgeted amount. Ditch maintenance did not need to be done in FY2015 so none of the budgeted \$25,000 was spent. Management fee was \$11,250 under budget. Forestry management budgeted \$25,100 was not spent for reasons noted above.

In FY2015 the SPOA spent \$18,425 from the transfer assessment account for construction of the private hike/bike trail to Fish Camp.

The SPOA operates on a November to October fiscal year.

**8) FY2016 Budget**

Mark Thorne, Treasurer

Mark Thorne presented the FY2016 SPOA budget. Notable items include a voluntary Developer subsidy of \$109,375 based on properties held by the Developer that are available for sale. An additional subsidy of \$29,235 was added in FY2016 to cover the cost of plowing the newly-installed Highlands road. Based on the expectation that property sales will be similar to FY2015 the Transfer Assessment income line was increased from \$102,186 in FY2015 to \$235,000 in FY2016. The actual amount of income collected through the transfer assessment in FY2015 was \$273,750. Trail expense in FY2016 includes three dollar amounts. \$5,750 for regular maintenance, \$8,000 of reserve funds to repair the gravel walking trail in the Ski Tip Glade area, and \$30,000 for map and trail sign development and installation. Funds have been budgeted to update the reserve study based on the recommendation of Reserve Advisors. Also, with the pending operational transfer of the SP water system to the SPOA, an updated reserve study will be done on the water system. These funds are accounted for through the water system budget.

**9) Adjourn**

Bayard Dominick, President

**Dan Taft moved to adjourn. The motion was seconded by Mark Thorne and passed with all in favor.**

## **FINANCIAL REPORT SUMMATION**

### **1. Balance Sheet**

- Transfer account balance + \$199,204
- Reserve account fully-funded

### **2. Profit & Loss**

- Transfer account expenditures (Wildridge Entrance shoulder repair, new trail from Clubhouse to Gatehouse, and speed study)

### **3. Budget v. Actual**

- Developer subsidy down due to sale of Friends and Family lots
- Repairs and Maintenance \$150,000 for cairn replacement
- Road Maintenance (\$15,000) and Ditch Maintenance (\$5,000) spent on additional Landscape Maintenance (Flowers at entrances and irrigation repairs)
- Invoice for Management Fee in process

**SPANISH PEAKS OWNERS ASSOCIATION, INC.**  
**Comparative Balance Sheets As of 10/31/16 & 2015**  
 Substantially All Disclosures Omitted

	<u>Oct 31, 16</u>	<u>Oct 31, 15</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Checking/Savings</b>		
1020 · Wells Fargo Checking 5754 (routing number 092905278)	415,982.49	422,462.02
1021 · Wells Fargo ARC Deposit 6059	207,500.00	177,500.00
1025 · Transfer Fee Funds	1,117,515.75	918,311.75
1059 · Reserves	1,854,721.40	1,516,004.77
<b>Total Checking/Savings</b>	<u>3,595,719.64</u>	<u>3,034,278.54</u>
<b>Accounts Receivable</b>		
1100 · Accounts Receivable	210,498.32	91,570.64
1125 · Reserve for Uncollected Assessm	-53,298.20	-36,850.25
<b>Total Accounts Receivable</b>	<u>157,200.12</u>	<u>54,720.39</u>
<b>Other Current Assets</b>		
1400 · Due from SPOA Water System	23,327.66	720.00
1210 · Prepaid Expenses	4,285.70	13,885.74
1499 · Undeposited Funds	1,888.47	0.00
<b>Total Other Current Assets</b>	<u>29,501.83</u>	<u>14,605.74</u>
<b>Total Current Assets</b>	<u>3,782,421.59</u>	<u>3,103,604.67</u>
<b>TOTAL ASSETS</b>	<b><u>3,782,421.59</u></b>	<b><u>3,103,604.67</u></b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
2000 · Accounts Payable	20,892.72	2,835.00
2210 · Security Fee	33,128.17	56,000.00
2215 · Legal expense	0.00	712.50
2220 · Accounting Expense	0.00	1,200.00
2230 · SP ARC Professional Fees	0.00	1,391.25
2250 · Management Fees Liability	0.00	1,505.99
<b>Total Accounts Payable</b>	<u>54,020.89</u>	<u>63,644.74</u>
<b>Other Current Liabilities</b>		
2236 · Deferred Dues Liability	205,933.20	201,562.50
2300 · Compliance Deposits	207,500.00	177,500.00
<b>Total Other Current Liabilities</b>	<u>413,433.20</u>	<u>379,062.50</u>
<b>Total Current Liabilities</b>	<u>467,454.09</u>	<u>442,707.24</u>
<b>Total Liabilities</b>	<u>467,454.09</u>	<u>442,707.24</u>
<b>Equity</b>		
2270 · Reserve Fund Balance	1,516,004.77	1,163,349.64
2271 · Transfer Fee Fund Balance	981,652.25	731,327.25
2272 · Operating Fund Balance	163,240.41	18,656.40
Net Income	654,070.07	747,564.14
<b>Total Equity</b>	<u>3,314,967.50</u>	<u>2,660,897.43</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>3,782,421.59</u></b>	<b><u>3,103,604.67</u></b>

**SPANISH PEAKS OWNERS ASSOCIATION, INC.**  
**Profit & Loss by Class November 2015 through October 2016**  
**Substantially All Disclosures Omitted**

	Operating	Reserve	Transfer Fees	TOTAL
Ordinary Income/Expense				
Income				
4000 · Base Assessments				
4010 · Dues Revenue	758,018.54	0.00	0.00	758,018.54
4000 · Base Assessments - Other	35,731.46	0.00	0.00	35,731.46
Total 4000 · Base Assessments	793,750.00	0.00	0.00	793,750.00
4030 · Bad Debt Income Collected	1,521.41	0.00	0.00	1,521.41
4100 · ARC Fees Income	18,932.50	0.00	0.00	18,932.50
4300 · Interest Income	0.00	11,771.59	0.00	11,771.59
4400 · Developer Subsidy (Voluntary)	64,531.25	0.00	0.00	64,531.25
4510 · Finance Charge Income	3,366.64	0.00	0.00	3,366.64
4520 · Late Fee Income	1,950.00	0.00	0.00	1,950.00
4200 · Transfer Fees Income	0.00	0.00	288,411.78	288,411.78
Total Income	884,051.80	11,771.59	288,411.78	1,184,235.17
Gross Profit	884,051.80	11,771.59	288,411.78	1,184,235.17
Expense				
6010 · Security Service	123,393.44	0.00	0.00	123,393.44
6510 · Landscape Maintenance	13,259.59	0.00	9,282.00	22,541.59
6620 · Repairs and Maintenance	6.99	0.00	0.00	6.99
6530 · Snow Removal	250,291.00	0.00	0.00	250,291.00
6540 · Weed Control	19,870.00	0.00	0.00	19,870.00
6550 · Trail Maintenance	0.00	0.00	28,766.00	28,766.00
7010 · Accounting/Bookkeeping	14,400.00	0.00	0.00	14,400.00
7020 · Architectural Review Committee	1,875.00	0.00	0.00	1,875.00
7030 · General & Administrative	2,439.28	0.00	0.00	2,439.28
7032 · Bank Service Charges	9,206.78	0.00	0.00	9,206.78
7040 · Insurance	6,835.04	0.00	0.00	6,835.04
7050 · Professional Fees	5.00	0.00	9,691.68	9,696.68
7060 · Reserve Study	1,525.00	0.00	0.00	1,525.00
7070 · Income Tax Expense	2,375.22	0.00	0.00	2,375.22
7200 · Management Fees	1,500.00	0.00	0.00	1,500.00
7300 · Accounts Receivable Reserve Exp (Contingency for Uncollected Assessments)	16,447.95	0.00	0.00	16,447.95
9110 · Forestry Management	10,940.13	0.00	0.00	10,940.13
Total Expense	474,370.42	0.00	47,739.68	522,110.10
Net Ordinary Income	409,681.38	11,771.59	240,672.10	662,125.07
Other Income/Expense				
Other Expense				
9130 · Trails & Signage	0.00	8,055.00	0.00	8,055.00
Total Other Expense	0.00	8,055.00	0.00	8,055.00
Net Other Income	0.00	-8,055.00	0.00	-8,055.00
Net Income	409,681.38	3,716.59	240,672.10	654,070.07



## SPANISH PEAKS OWNERS ASSOCIATION, INC.

## Budget vs. Actual - November 2015 through October 2016

Substantially All Disclosures Omitted

	Nov '15 - Oct 16	Budget	\$ Over Budget
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
4000 · Base Assessments	793,750.00	793,750.00	0.00
4030 · Bad Debt Income Collected	1,521.41	0.00	1,521.41
4100 · ARC Fees Income	18,932.50	30,000.00	-11,067.50
4300 · Interest Income	11,771.59	10,000.00	1,771.59
4400 · Developer Subsidy (Voluntary)	64,531.25	135,610.00	-71,078.75
4510 · Finance Charge Income	3,366.64	1,500.00	1,866.64
4520 · Late Fee Income	1,950.00	3,000.00	-1,050.00
4200 · Transfer Fees Income	288,411.78	235,000.00	53,411.78
<b>Total Income</b>	<b>1,184,235.17</b>	<b>1,208,860.00</b>	<b>-24,624.83</b>
<b>Gross Profit</b>	<b>1,184,235.17</b>	<b>1,208,860.00</b>	<b>-24,624.83</b>
<b>Expense</b>			
6010 · Security Service	123,393.44	150,000.00	-26,606.56
6520 · Road Maintenance	0.00	15,000.00	-15,000.00
6510 · Landscape Maintenance	22,541.59	3,000.00	19,541.59
6620 · Repairs and Maintenance	6.99	150,000.00	-149,993.01
6530 · Snow Removal	250,291.00	255,426.00	-5,135.00
6540 · Weed Control	19,870.00	20,000.00	-130.00
6550 · Trail Maintenance	28,766.00	43,750.00	-14,984.00
6560 · Ditch Maintenance	0.00	5,000.00	-5,000.00
7010 · Accounting/Bookkeeping	14,400.00	14,400.00	0.00
7020 · Architectural Review Committee	1,875.00	30,000.00	-28,125.00
7030 · General & Administrative	2,439.28	670.00	1,769.28
7032 · Bank Service Charges	9,206.78	8,400.00	806.78
7033 · Meetings	0.00	440.00	-440.00
7040 · Insurance	6,835.04	6,835.00	0.04
7050 · Professional Fees	9,696.68	9,000.00	696.68
7060 · Reserve Study	1,525.00	3,050.00	-1,525.00
7070 · Income Tax Expense	2,375.22	3,000.00	-624.78
7200 · Management Fees	1,500.00	60,000.00	-58,500.00
7210 · Collection Expense	0.00	300.00	-300.00
7300 · Accounts Receivable Reserve Exp (Contingency for Uncollected Assessments)	16,447.95	25,000.00	-8,552.05
9110 · Forestry Management	10,940.13	25,000.00	-14,059.87
<b>Total Expense</b>	<b>522,110.10</b>	<b>828,271.00</b>	<b>-306,160.90</b>
<b>Net Ordinary Income</b>	<b>662,125.07</b>	<b>380,589.00</b>	<b>281,536.07</b>
<b>Other Income/Expense</b>			
<b>Other Expense</b>			
9130 · Trails & Signage	8,055.00	0.00	8,055.00
<b>Total Other Expense</b>	<b>8,055.00</b>	<b>0.00</b>	<b>8,055.00</b>
<b>Net Other Income</b>	<b>-8,055.00</b>	<b>0.00</b>	<b>-8,055.00</b>
<b>Net Income</b>	<b>654,070.07</b>	<b>380,589.00</b>	<b>273,481.07</b>

Spanish Peaks Owners Association, Inc.

FY2017 Budget

Updated: 8/25/2016

	Budget FY2017 Operating	Budget FY2017 Transfer	Budget FY2017 Reserve	Budget FY2017 Consolidated	Budget FY2016	Budget Variance FY17 to FY16	Comments
<b>Income</b>	100%		0%				
Assessments	702,500		-	702,500	793,750	(91,250)	2016 Reserve contribution \$345,000 ; No Reserve contribution needed in FY17 (see bottom)
ARC Fees Income	30,000		-	30,000	30,000	-	Assessments reduced 20% from \$3,125/unit in FY16 to \$2,500/unit in FY17.
Interest Income	13,000		-	13,000	10,000	3,000	
Developer Subsidy (voluntary)	52,022		-	52,022	135,610	(83,588)	10 Developer owned properties (down from 25 in FY2016) + \$31,400 for plowing Highlands
Finance Charges	3,800		-	3,800	1,500	2,300	
Late Fees	3,000		-	3,000	3,000	-	
Transfer Fees	-	235,000	-	235,000	235,000	-	
<b>Total Income</b>	<b>804,322</b>	<b>235,000</b>	<b>-</b>	<b>1,039,322</b>	<b>1,208,860</b>	<b>(169,538)</b>	

<b>Operating Expense</b>							
Security Service	150,000		-	150,000	150,000	-	
Landscape Maintenance	20,000		-	20,000	3,000	17,000	New line item in FY16; Increase based on FY16 actuals & improved plantings at existing
Road Maintenance	15,000		-	15,000	15,000	-	Misc repairs resulting from wear and damage
Snow Removal	260,604		-	260,604	255,426	5,178	Contract with K7 Snow Works
Weed Control	30,000		-	30,000	20,000	10,000	Increased to aggressively address problem areas in addition to normal spraying
Trail Maintenance/Enhancement	40,000		-	40,000	43,750	(3,750)	Map and signs in 2016; continued improvement of existing trails in 2017
Ditch Maintenance/Improvement	5,000		-	5,000	5,000	-	Misc repairs resulting from wear and damage
Maintenance and Repairs (Cairns)	-	150,000	-	150,000	150,000	-	12 new monuments @ \$12,000.00 + \$6000 to remove cairns; none spent in FY2016
Accounting/Bookkeeping	12,700		-	12,700	14,400	(1,700)	Switch to Knaub & Co.
Architectural Review Committee	30,000		-	30,000	30,000	-	Similar activity anticipated
General and Administrative	920		-	920	670	250	
Bank Fees	8,400		-	8,400	8,400	-	
Meeting Costs	440		-	440	440	-	
Insurance	6,820		-	6,820	6,835	(15)	Per quote received 8/23/16
Professional Fees	2,500		-	2,500	9,000	(6,500)	Reduction based on actuals from previous years
Income Tax Expense	10,000		-	10,000	3,000	7,000	Increase to cover tax on net investment income
Management Fee	61,800		-	61,800	60,000	1,800	3% increase
Collection Expense	300		-	300	300	-	
Bad Debt Expense	25,000		-	25,000	25,000	-	Anticipated \$24,670 in FY16 based on actuals through June 2016
Forestry Management	25,000		-	25,000	25,000	-	Funds to pursue matching grants
Contingency	95,000		-	95,000	-	95,000	
Reserve Study	-		-	-	3,050	(3,050)	
<b>Total Operating Expense</b>	<b>799,484</b>	<b>150,000</b>	<b>-</b>	<b>949,484</b>	<b>828,271</b>	<b>29,263</b>	

<b>Net Operating Income</b>	<b>4,838</b>	<b>85,000</b>	<b>-</b>	<b>89,838</b>	<b>380,589</b>		
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**Forecasted reserve balance based on anticipated year end balances**

Current Balance 7/1/16	\$1,739,987.02
Projected Contribution FY2017	\$0.00
<b>Total Projected Class Balance (10/31/2016)</b>	<b>\$1,739,987.02</b>
Recommended Balance as of 10/31/2017	\$1,709,762.00
Difference	\$30,225.02

**Budget Assumptions**  
Fiscal Year November 1, 2016 - October 31, 2017

<b>REVENUES</b>		
<b>SPOA Base Assessments</b>		<b>\$ 702,500</b>
Total Base Units	291 289 in FY2016; 2 Highlands added in FY2017	
Unsold Developer Units	10 SP platted lots owned by CH SP Acquisition LLC Per Montana Cadstral	
Net Base Units	281 Billing units confirmed by accountant, Doug Shanley	

1/ Annual assessment per unit:

	<b>\$ 2,500</b>	<b>FY2017</b>
	<b>\$ 3,125</b>	<b>FY2016</b>
	<b>\$ 2,960</b>	<b>FY2015 annual assessment</b>

2/ Per Decl 10.2.3 - Definition of calculation & Developer not required to pay for unsold units

**Architectural Review Committee ("ARC") Fees**

1/ Based on 4 ARC reviews at fees of \$5,250 fees per unit and 4 minor reviews at \$200

	<b>\$ 30,000</b>
FY2017	\$30,000 Assumes continued building activity from FY2016
FY2016	\$30,000
FY2015	\$30,000
FY2014	\$17,650
Nov thru Jun FY2014	
FY2013	\$19,307
FY2012	\$12,793
FY2011	\$22,713
FY2010	\$22,600
FY2009	\$17,150
FY2008	\$30,500
FY2007	\$30,500
FY2006	\$24,000
FY2005	\$55,250

**Interest Income**

1/ FY2016 return through June is \$8703.89.

**\$ 13,000**

**Developer's Subsidy**

1/ CH SP subsidy based 10 unsold developer units

2/ Plowing expense for Highlands roads (1.65 mi @ \$15,900/mi) in 2016

	<b>\$ 25,000</b>
	<b>\$ 27,022</b> \$26,235 in 2016; anticipated 3% increase for 2017

**\$ 52,022**

**Other Income - Late Fees**

1/ Late fees on 15 past due accounts at \$75 per quarter. Assume 10 late fees imposed each quarter that are not written off at request of owner.

**\$ 3,000**

**Other Income - Finance Charges**

	<b>\$ 3,800</b>
FY2017	\$3,800 Based on FY2016 Nov-2015-Jun 2016 (\$2573.14)
FY2016	\$1,500
FY2015	\$1,003
FY2014	\$4,890
FY2013	\$3,480 Through the bankruptcy period, there has been leniency towards writing off interest charges.
FY2012	\$621 Reduction due to write-off of \$12,700 in interest relating to 14 delinquent accounts to be sent to collection
FY2011	\$26,507
FY2010	\$33,830

**Transfer Fees**

1/ Based on anticipated sales

	<b>\$ 235,000</b>
FY2017	\$235,000 Similar to 2016
FY2016	\$235,000
FY2015	\$102,186
FY2014	\$204,860
FY2013	\$98,379
FY2012	\$57,923
FY2011	\$136,930
FY2010	\$115,510

**EXPENSES**

**TRANSFER FEE EXPENDITURE**

1/ Remove dry-stacked Ranch neighborhood cairns and install new design

\$150,000

**\$ 150,000**

**Security Services**

1/ FY2016 estimate from SPMC

2/ Historical security costs for the SPOA:

FY2017	\$150,000	3% increase + additional shift (from GV)
FY2016	\$117,427	2016 actual Nov15-June16 \$78,284 (Budgeted \$150,000)
FY2015	\$116,413	
FY2014	\$114,130	
FY2012	\$84,137	
FY2011	\$180,631	
FY2010	\$180,652	
FY2009	\$171,667	
FY2008	\$227,971	
FY2007	\$213,953	
FY2006	\$168,180	
FY2005	\$11,023	

From FY2006 until the bankruptcy on 10/10/11, security was 24/7 with a staff of several men. I do not know how the SPOA charges were determined since they appeared via Intercompany Journal entries.

**Landscape Maintenance**

1/ Spring and fall cleanup, plant and tree replacements, and minor wetland repairs as needed

2/ SPOA is responsible to maintain the entry area at Ousel Falls and Wildridge as of 2014, SPMC took over gatehouse landscape maintenance

3/ SPOA maintaining landscape at Wildridge and Gatehouse

FY2017	\$20,000	Maintain existing and continue improvement of common area landscaping
FY2016	\$3,000	2016 actual as of June \$10,504 (numerous irrigation repairs at both locations)
FY2015	\$0	As of June 2015, CH SP paid to landscape Wildridge entrance

**\$ 20,000**



\$920

**Bank Charges**

- 1/ Budget based on FY2016 actual excluding .35% earnings credit
  - 2/ Annual lockbox rental of \$225
- Estimated monthly fee based on average charge over last 12 months:

\$700

**Meeting Costs**

- 1/ Meeting costs for board meetings and annual member meeting: \$20 per month for board meetings plus \$200 for the annual meeting

\$ 440

**Insurance**

- 3/ Insurance premiums per invoices; 3-5% increase per Denise Schults

	FY2017
Crime	\$ 366,00
Commercial	\$ 566,00
Umbrella	\$ 4,100,00
Directors & Officers	\$ 1,788,00
	<u>\$ 6,820,00</u>

\$ 6,820

**Professional Services**

- 1/ Budget is based on the annual report filing fee of \$75 and \$5,000 for misc legal issues
- 2/ Proposed costs for FY2015 per Mindy Nowakowski:  
60 hours at \$200 per hour for contracts and service agreements:

	FY2017	\$2,500	Based on pre-2016 actuals
	FY2016	\$9,000	Actual through June 2016 = \$5,00
	Nov thru Jun FY2014	\$0	
	FY2013	\$2,239	
	FY2012	\$1,070	
	FY2011	\$2,852	
	FY2010	\$1,548	
	FY2009	\$1,801	
	FY2008	\$1,500	

\$ 2,500

**Income Tax Expense**

- 1/ Required by IRS rules to withhold approx 30% of anticipated interest income

	FY2017	\$10,000	Increase due to tax on net investment income (per Doug Shanley)
	FY2016	\$3,900	

\$ 10,000

**CH SP Acquisition Management Fees**

- 1/ LMLC staff members will manage responsibilities previously covered by Karen Roberts and APM
- 2/ Previously budgeted amounts

	FY2016	\$61,800	3%
	FY2016	\$60,000	From Mark Thome
		APM	CH SP
	FY2015	\$18,000	\$15,000
	FY2014	\$9,360	
	FY2013	\$9,360	
	FY2012	\$11,132	
	FY2011	\$56,203	
	FY2010	\$53,871	
	FY2009	\$70,918	
	FY2008	\$54,193	
	FY2007	\$38,009	
	FY2006	\$33,587	

\$ 61,800

**Collection Expense**

- 1/ Assume \$75 per quarter for certified mail/return receipt

\$ 300

**Contingency for Uncollected Assessments**

- 1/ \$25,000 for remaining delinquent accounts and other write-offs

	FY2015	\$25,000	2016 actual (Nov15-Jun16) = \$16,447.95
	FY2016	\$25,000	
	FY2015	-\$24,019	As of June 2015
	annual assessments:	\$2,500	

\$ 25,000

**Reserve Fund**

- 1/ Reserve Fund established per Reserve Advisors study for long term replacement and repair of Common Elements
  - FY2017 reserve contribution per 2016 update study: \$0
  - FY2016 reserve contribution per 2014 update study: \$335,000
  - FY2015 reserve contribution per 2014 update study: \$345,000
  - FY2014 reserve contribution per 2012 update study: \$332,000

\$ -

**Forestry Management**

- 1/ Forestry inspections spring and fall
- 2/ Wildlife mitigation (tree removal, budworm spraying, etc)

	\$2,000
	\$23,000
	<u>\$25,000</u>

\$ 25,000

**Contingency**

\$ 95,000