

KCOA 2021 Treasurer's Report

2021 Proposed Budget

	<u>2020 Budget</u>	<u>2020 Actual</u>	<u>2021 Budget</u>
Road Maintenance	2,500	1,025 ⁽¹⁾	9,700 ⁽⁶⁾
General Maintenance – R&M	1,700	1,200 ⁽²⁾	1,500
Insurance	2,761	2,761	2,935
Office Expense / Web Page	100	0	100
Property Tax	2,450	910 ⁽³⁾	1,000
Legal (Annual Representation & Filings for KCOA)	270	270	270
Accounting	3,065	4,890 ⁽⁴⁾	2,050
Outside Services	0	0	0 ⁽⁷⁾
KCOA Marina Guest Slips	620	620	630
Misc.	<u>300</u>	<u>242</u> ⁽⁵⁾	<u>300</u>
Total	\$ 13,766	11,918	18,485

(1) NL Billing road maintenance and equipment rental = \$1,025.

(2) Cole Aucoin Property Services mowing Rockwood docks of \$500 + Bill Willard buoy placement and removal of \$600 + NL Billing mowing Owner's Beach of \$100 = \$1,200

(3) Property Taxes decreased significantly in 2020. The State of Maine Property Tax Division reassessed the value of KCOA's property resulting in a significant decrease in value.

2020: Land Value of \$137,240 x Mill Rate of 0.00663 = Property Tax of \$910

2019: Land Value of \$336,800 x Mill Rate of 0.0072 = Property Tax of \$2,425

(4) KCOA's accountant, Haverlock, Estey & Curran ("HEC"), changed its billing frequency in 2020. Historically, HEC had sent KCOA an annual bill during the first quarter of each year for the prior year's services. However, in 2020, KCOA was billed \$3,065 on 2/6/20 for 2019 services, and \$1,825 on 7/6/20 for services through the first half of 2020.

(5) Purchase of additional First Aid supplies (AED defibrillator pads and battery).

(6) Updated from \$4,700 to \$9,700 after the 7/31/21 KCOA Annual Owners Meeting to reflect the unanimously approved motion to solicit estimates of up to \$5,000 for KCOA road tree trimming.

(7) Historically, KCOA has paid for a band at the annual party. There will be no annual party during 2021.

Bank Balances (\$):	<u>05/31/21</u>	<u>12/31/20</u>	<u>05/31/20</u>	<u>12/31/19</u>	<u>05/31/19</u>	<u>12/31/18</u>	<u>05/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Checking	32,923	20,308	22,860	13,826	24,194	15,426	30,395	19,257	23,958
General Reserve ⁽⁸⁾	<u>35,421</u>	<u>35,411</u>	<u>35,395</u>	<u>35,378</u>	<u>35,332</u>	<u>35,283</u>	<u>36,164</u>	<u>36,143</u>	<u>36,098</u>
Total	68,345	55,719	58,254	49,204	59,526	50,709	66,559	55,400	60,056

(8) In 2017, KCOA voted to combine the Rockwood Dock Reserve and the General Reserve. The General Reserve account balances shown above for 5/31/18, 12/31/17, and 12/31/16 have been restated to include the combined historical balances of both reserve accounts. Additionally, the General Reserve account earns an insignificant amount of interest income per year, which is not reflected elsewhere in this report's projections and analysis.

DISCUSSION OF KCOA's 2020 STATEMENT OF INCOME & EXPENSES

In 2020, dues were raised to \$250 per Lot Owner as KCOA's cash balance had been declining steadily for several years. As a result, we projected a budget surplus of \$4,234 for 2020 (\$18,000 projected income minus projected expenses of \$13,766 = \$4,234). 2020 ended up being a year with low expenses, and our actual surplus for the 12 months ending on December 31, 2020 was \$6,082 (2020 Income of \$18,000 minus expenses of \$11,918 = \$6,082).

Please see above 2020 Budget versus 2020 Actual expenses. As viewed above, KCOA remained fairly close to its 2020 Budget (within 13.4%). See footnotes for details.

During the 2019 annual meeting it was decided that 2020 dues would be raised to \$250. The reasoning and justification for the dues increase is presented in the *Appendix* on the next page of this report. Owner Assessment income is projected to be \$18,000 for 2021 dues (72 Paying Lots X \$250 = \$18,000). As of the writing of this report, there are no owners who are delinquent as all dues have been collected. The KCOA Board is recommending that annual dues be kept at the same level of \$250 per lot for 2022. However, should income continue to exceed expenses, it is likely that dues will be reduced again next summer.

The 2021 projected budget is 34.3% higher than the 2020 projected budget. The projected budget growth is due to a significant increase in projected Road Maintenance Expenses. This increase is partially attributable to the purchase and transportation of gravel, as well as Rockwood parking lot snowplowing. KCOA did not need to purchase gravel in 2020 and we were not billed by TP Construction for snowplowing during the 2020 calendar year, causing our 2020 Road Maintenance Expenses to be irregularly low. Additionally, the 2021 Road Maintenance Expense increase is partially attributable to an approved motion to solicit estimates for KCOA road tree trimming; this motion was made, seconded, and unanimously approved during the 7/31/21 KCOA Annual Owners Meeting. The projected Road Maintenance Expense increase is partially offset by lower projected property taxes (due to the aforementioned land value decrease) and lower projected accounting fees (due to fewer billable hours and a return to a regular billing schedule). With dues at \$250 per lot, the projected operating deficit for 2020 is projected to be \$485, which results in a projected cash position for 12/31/2021 of \$19,823 in the Checking Account. When accounting for the General Reserve Account, the KCOA 12/31/2021 total cash position is projected to be \$55,244. Road Maintenance has historically been one of KCOA's largest expenses, as the roads require regular maintenance due to harsh winters. KCOA owes a tremendous amount of gratitude to Butch Billing for his dedicated work over the years to comb, grade, gravel, and improve our roads. The remaining line items in the budget are self-explanatory, and expenses that are irregular or not clearly identified by their line-item name are footnoted above. **(NOTE: This paragraph was amended after the 7/31/21 KCOA Annual Owners Meeting to reflect the approved motion to solicit estimates of up to \$5,000 for KCOA road tree trimming).**

Please see the various cash positions noted above over the past 5.5 years. Note that the cash position is always higher at the end of May, since the annual dues are billed in March of each year and collected by end of April. Therefore, the cash balance of KCOA is highest around this time of year and is used for expenses as the year goes on. For planning purposes, it is better to use the year end cash balances, as this is likely the period when the cash balance is at or near its low point.

Please see attached 2020 KCOA financial statements. Attachments:

2020 Statements:

KCOA Balance Sheet as of 12/31/2020

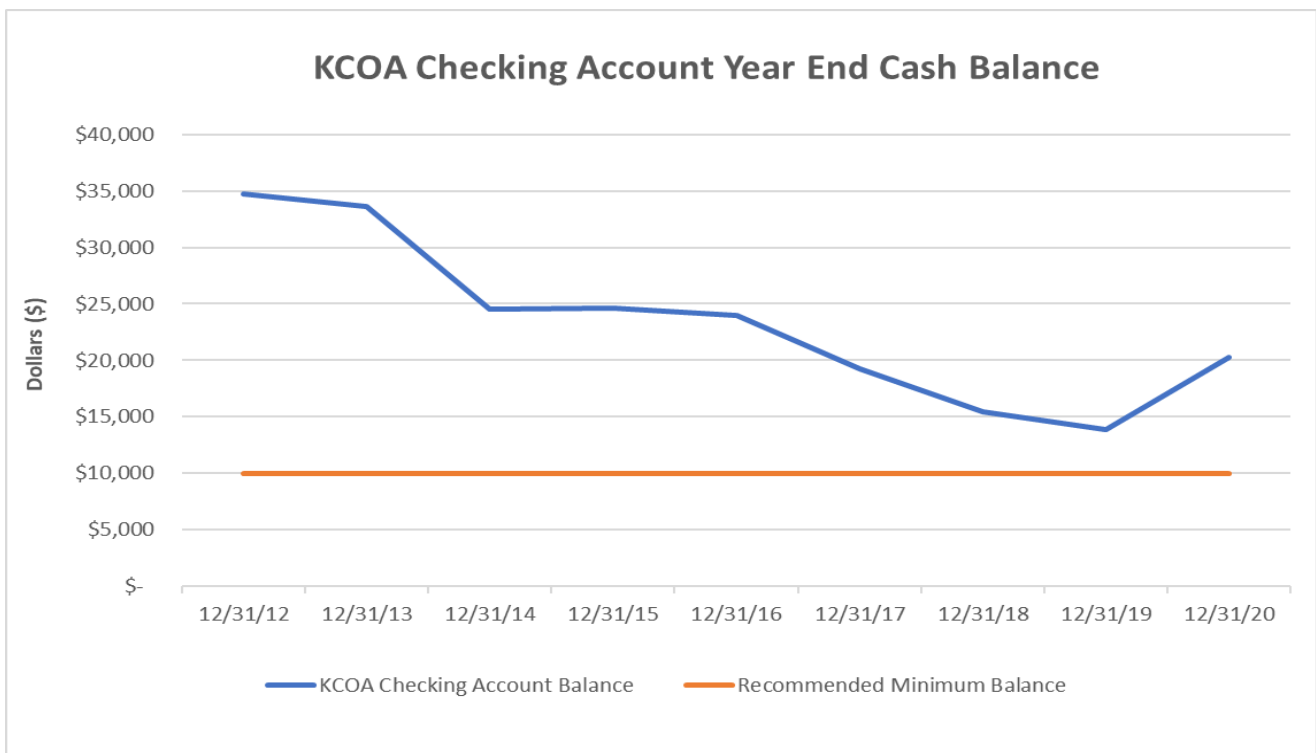
KCOA Income & Expense Statement for the Year 2020

KCOA January – December 2020 Expense Detail

Appendix – 2020 Dues Increase

The increase in annual dues was discussed and voted on during the 2019 KCOA Annual Meeting. Key points pertaining to the logic behind the dues increase are described below:

1. KCOA had run at an intentional budget deficit for many years and our expenses routinely exceeded our dues income.
2. We felt the KCOA Checking Account cash balance had fallen to a level that should be maintained moving forward. Stated differently, we believe we should now approximately match our annual expenses with our annual dues, as opposed to running at a deficit and further reducing the cash balance.
3. The addition of new expenses (such as the marina guest slips) and the presence of expenses that increased over time (such as insurance) added to our annual spending.
4. There are 72 paying lots. A dues increase from \$200 to \$250 results in \$3,600 of additional annual dues income (\$14,400 total compared to \$18,000 total). \$18,000 is roughly in line with our average historical annual expenses, and this amount of dues income will allow us to approximately match expenses with income moving forward.
5. In 2019, the KCOA Executive Board recommended establishing a minimum year-end checking account balance of \$10,000



Note: The graph above only displays the KCOA Checking Account balance. The KCOA General Reserve Account balance is not included.