

KPOA 2017 Financial Review & 2018 Budget

The Kala Point Owners' Association will end 2017 in a secure and well-funded position. As of October, with two months to go until the close of our fiscal year, we project a budget surplus of about \$26,000. This is slightly higher than our historical average. This surplus will be applied to your 2019 assessment.

Reserves and the projects that they fund continue to be an important part of our overall financial health. We have also had a very successful year managing our reserve projects. Most projects were completed for less than the cost projected in the original reserve study. We expect the total reserve expenditures to be \$10,000 below the 2017 budget.

2018 Operating Budget

For 2018, we will have an increase in operating expense of 3.2% over the 2017 budget. We continue the philosophy of building a tight budget, and then managing our day-to-day expenses to come in at, or below that expense goal. During the last several years, there has been a concerted effort to trim costs without impacting the quality of the services provided to the membership. The staff changes that we experienced early in 2017 resulted in some significant reductions in staff cost. Now that the staff has stabilized, we are budgeting an increase in salary, wages, and benefits for 2018. In early 2017, the Board of Directors made a decision to include the dependents of full-time employees on our medical plan. That change, coupled with an increase in premiums of 21% for 2018 has impacted benefit costs.

2017 Reserves Budget

Our reserve position continues to be very healthy. The enclosed Reserves Cash Flow Budget sheet shows reserve expenditures during 2017 and those planned for 2018. The reserve contribution for 2017 was \$168,000 and it will remain the same for the 2018. We plan an inflation rate of 2.5% for our reserve projects. Because of low current yields on Reserve Fund investments, the interest income is planned at 1%. We have a plan that extends 30 years into the future, with a projected balance that never drops below a NPV (net present value) of \$200,000. This plan ensures that our reserves are fully funded.

2018 Carryover (from 2016)

For 2017, we applied a carryover of \$27.00 for each LHC (Lot, Home, or Condominium Unit) and \$11.00 for each Timeshare unit (TS). In 2018, we have a higher carryover of \$62.00 for LHC units and \$5.00 for TS (from the 2016 budget). This increase in carryover is a significant factor driving the decrease in 2018 assessments for each LHC. It is important to note that we are not permitted by law to accumulate excess funds from the operating budget. Any excess must be returned to the owners, either in the form of direct payment, or through reduction in assessments.

The Bottom Line

In summary, the Board of Directors, General Manager, and the Finance Committee are pleased that we have created a tight budget that serves your needs and is in accord with State regulations for Reserve Funding plans. The 2017 budget results in regular assessments of \$860.00 (-\$16.00 or -1.8%) for each LHC and \$212.00 (+\$11.00 or 5.4%) for each timeshare (TS). We will continue to closely monitor and review our expenditures in the coming years. Because of the windfall we received in 2016, you are seeing a reduction in your 2018 assessment for LHC. Unfortunately, that reduction is a one-time event and you can expect assessments to return to higher levels in 2019. In the past few years many homeowners associations have found themselves in financial difficulty. We should all take pride in the fact that KPOA has never had a special assessment. However, it is important to invest in and maintain Kala Point as a premier Owners' Association to support the value of your homes and properties.

John Oliveira

Chief Financial Officer

<i>Adopted by the KPOA Board on October 10, 2017</i>			
OPERATING BUDGET	2017 Budget	2017 Estimated Actual*	2018 Budget
Revenues			
Assessments	\$602,992	\$600,179	\$616,099
Transfer to Reserves	-\$168,000	-\$168,000	-\$168,004
Late Fees, Interest & Lien Fees	\$650	\$694	\$650
Assessments - Special (Fines)	\$0	\$0	\$0
Lease Income	\$39,124	\$45,791	\$40,909
Interest Income	\$0	\$360	\$0
Rentals & Contracts	\$17,936	\$17,525	\$19,027
Other Income	\$4,100	\$5,766	\$4,100
TOTAL OPERATING REVENUES	\$496,802	\$502,315	\$512,781
Expenses			
Payroll Wages/Payroll Taxes/Benefits	\$303,288	\$297,399	\$322,178
Administration	\$29,715	\$29,894	\$30,142
Beach & Dock	\$6,739	\$4,598	\$4,784
Clubhouse	\$24,495	\$24,491	\$25,591
Pool & Spa	\$23,544	\$22,110	\$22,916
Common Area	\$44,738	\$43,732	\$44,098
Professional Services	\$19,169	\$15,409	\$16,033
Insurance	\$23,351	\$22,193	\$22,833
Other Costs	\$15,405	\$8,620	\$17,551
Federal Income Tax	\$6,358	\$6,856	\$6,656
TOTAL OPERATING EXPENSES	\$496,802	\$475,302	\$512,782
Projected 2019 Assessment Credit (or debit)		\$27,013	

* 2017 Estimated Actual is based on 10 months actual and 2 months estimated

Adopted by the KPOA Board on October 10, 2017

RESERVES CASH FLOW BUDGET	2017 Budget	2017 Estimated Actual*	2018 Budget
Road Repair	26,189	(26,278)	26,980
Cedarview Drive	118,347	(111,008)	
Pool - Heating System	11,019	(10,900)	
CH - Security Surveillance System	4,869	(3,419)	
Gate - Security Surveillance System	2,819	(3,011)	
Equipment - Riding Mower	10,250	(9,673)	
Fencing - Chain Link/Privacy/Gate*2, RV Lot "A"	27,787	(27,109)	
Terrace Drive			\$114,297
Tennis Courts - Resurfacing 1,2			\$13,005
CH - Carpeting, Meeting Room - 540 Sq. Ft.			\$3,693
CH - Furniture, Mainroom			\$5,473
CH - Furniture, Fireplace Room			\$6,006
Gravel Replacement - RV B			\$11,868
Reserves Outflow	\$201,278	(\$191,399)	\$181,322
Summary - Reserve Funds			
Beg. Cash Balance	\$463,164	\$463,164	\$442,325
Interest	\$4,276	\$2,560	\$4,290
Total Outflows	(\$201,278)	(\$191,399)	(\$181,322)
Reserve Assessments Revenue	\$168,000	\$168,000	\$168,004
Ending Cash Balance	\$434,162	\$442,325	\$433,297

* 2017 Estimated Actual is based on 10 months actual and 2 months estimated

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY

KALA POINT OWNERS ASSOCIATION

			LHC	TS
For Fiscal Year Beginning:	1/1/2018	Total Number of Units	561	456

a) Budgeted Amounts:	Total	Amount Per Unit - LHC	Amount Per Unit - TS	
Reserve Budget Contributions:	\$168,000	\$267.00	\$40.00	
Operating Budget Contributions:	\$410,932	\$655.00	\$177.00	
2018 Assessment Credit:	\$37,164	(62.00)	(5.00)	
Total:	\$616,096	\$860.00	\$212.00	Per Year

Recommended Amounts:	Total	Reserve Contributions - LHC	Reserve Contribution - TS	
Reserve Contributions:	\$168,000	\$149,757	\$18,243	Per Year
Funding Plan Objective:	100% Full Funding			

- b) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the Board and/or members:

Date Due	Total Amount Per Unit	Purpose
N/A	N/A	N/A
N/A	N/A	N/A
Total:		\$000.00

- c) Based on the most recent Reserve Study and other information available to the Board of Directors; will currently projected Reserve account balances be sufficient at the end of each year to meet the association's obligation to repair and/or replacement of major components during the next 30 years. **(Yes)**
- d) If the answer to "C" is NO, what additional assessments or other contributions to Reserves would be necessary to ensure that sufficient Reserve Funds will be available each year during the next 30 years?

Approximate Fiscal Year Assessment Will Be Due	Average Total Amount Per Unit
N/A	N/A
N/A	N/A
N/A	N/A

e) All computations/disclosures are based on the fiscal year start date of:	1/1/2018
Fully Funded Balance (per RCW 64.38.010 (9):	\$7,541,781
Projected Reserve Fund Balance:	\$7,541,781
Percent Funded:	100%

The financial representations at the time of preparation are based on the Reserve Study for the fiscal year shown at the top of this page and the best estimates of the preparer. These estimates should be expected to change from year to year. Some information on this form has been provided to Mike Derrig and Associates, and has not been independently verified.

Prepared by: Keith Larson, General Manager

Shading = new assets for 2018

Cat	Asset	Useful Life	Remaining Life	Repl Year	Current Cost	2018	2019	2020	2021	2022
	Beginning. All inserts must be below here.									
1	Road Repair	1	0	2018	26,322	26,980	27,655	28,346	29,055	29,781
1	Alderwood Place	35	33	2051	22,337					
1	Baycliff Drive/ So KP to Pinecrest	30	18	2036	85,435					
1	Baycliff Drive/ Pinecrest to No KP	27	3	2021	79,075				87,284	
1	Baycliff Place	35	33	2051	14,815					
1	Belvedere Drive	35	18	2036	80,458					
1	Blenheim Place	35	33	2051	17,673					
1	Brookhaven Place	35	33	2051	12,429					
1	Buckhorn Place	35	31	2049	23,987					
1	Cedarview Drive	35	35	2053	115,460					
1	Cedarview Lane	30	27	2045	17,254					
1	Clubhouse Parking	35	33	2051	42,801					
1	Compton Place	35	31	2049	11,999					
1	Corbridge Place	35	33	2051	12,763					
1	Creekwood Place	35	31	2049	11,317					
1	Danbury Court	35	33	2051	12,169					
1	Dunraven Place	35	31	2049	17,393					
1	Fairbreeze Drive	35	20	2038	114,883					
1	Foxfield Drive	35	10	2028	145,982					
1	Grenville Court	35	20	2038	31,560					
1	Hemlock Court	35	27	2045	23,565					
1	Kala Pt. Dr./ Baycliff Intersection	22	11	2029	218,511					
1	Kala Pt. Dr./ Fairbreeze Dr. Intersection	22	19	2037	171,941					
1	Kala Pt. Dr./Fairbreeze Int./ R.V. B Storage Lot	27	18	2036	71,106					
1	Kala Heights Drive - Paving	35	34	2052	81,291					
1	Nantucket Place	35	33	2051	23,217					
1	Oak Shore Court	35	8	2026	17,164					
1	Oak Shore Drive	35	8	2026	101,713					
1	Parkplace Court	35	33	2051	26,141					
1	Pinecrest Court	35	2	2020	6,368			6,857		
1	Pinecrest Drive	35	2	2020	233,872			251,854		
1	Pinewood Court	35	9	2027	16,655					
1	Saddletree Drive	35	20	2038	83,314					
1	Sailview Drive	30	18	2036	140,849					
1	Shorecrest Court	35	30	2048	33,946					
1	Shorecrest Place	35	27	2045	18,341					
1	Sulgrave Place	35	29	2047	23,599					
1	Terrace Drive	35	0	2018	111,509	114,297				
1	Trafalgar Drive	35	25	2043	83,580					
1	Wellington Court	35	31	2049	28,093					
1	Westridge Court	35	2	2020	17,767			19,133		
1	Windship Drive	35	8	2026	113,166					

Cat	Asset	Useful Life	Remaining Life	Repl Year	Current Cost	2018	2019	2020	2021	2022
5	Roofs - Administration, Decra Shake	40	30	2048	22,023					
5	Roofs - Administration, Gutters/Dps	30	4	2022	3,237					3,663
2	Roofs - Clubhouse, Decra Shake	40	15	2033	27,381					
2	Roofs - Clubhouse, Flat Roof, PVC	16	3	2021	2,919				3,222	
2	Roofs - Clubhouse, Gutters/Downspts	30	15	2033	3,057					
2	Roofs - Clubhouse, Skylights Mtg Rm	25	19	2037	5,158					
2	Roofs - Clubhouse, Skylights	25	19	2037	8,385					
2	Roofs - Clubhouse, Skylights	25	19	2037	4,362					
3	Pool - Blankets (Outdoor)	10	7	2025	3,821					
3	Pool - Blankets (Outdoor) - Reel	15	6	2024	4,033					
3	Pool - Electric Back-up Heaters, Pool	15	14	2032	5,572					
3	Pool - Electric Back-up Heaters, Spa	15	11	2029	3,839					
3	Pool - Furniture	10	8	2026	6,900					
3	Pool - Heating System	15	15	2033	13,703					
3	Pool/wading/ Replastering	12	1	2019	41,147		43,230			
3	Spa Replaster	12	1	2019	4,443		4,668			
7	Tennis Courts - Resurfacing 1,2	8	0	2018	12,688	13,005				
7	Pickleball Court - Resurfacing	8	7	2025	6,954					
7	Tennis Courts - Resurfacing 4 & 5	8	6	2024	11,840					
7	Sports Court - Resurfacing	8	6	2024	6,262					
2	CH - Benches, Shower Rooms	35	33	2051	4,086					
2	CH - Cabinets, Natural Wood, M.R./F.P	35	32	2050	5,644					
2	CH - Carpeting, Game Room	10	1	2019	2,673		2,808			
2	CH - Carpeting, Meeting Room - 540 Sq. Ft.	12	0	2018	3,603	3,693				
2	CH - Ceiling, Fiberboard Panels	35	35	2053	8,857					
2	CH - Ceramic Tile, Entry	35	35	2053	7,398					
2	CH - Ceramic Tile, Showers (700 sf)	25	15	2033	18,892					
2	CH - Furnace, Florida Heat Pump	15	7	2025	13,884					
2	CH - Furniture, Mainroom	10	0	2018	5,339	5,473				
2	CH - Furniture, Fireplace Room	10	0	2018	5,859	6,006				
2	CH - Restroom Partitions, Laminated	16	4	2022	5,970					6,754
2	CH - Security Surveillance System	10	10	2028	4,894					
2	CH - Vinyl Sheet Flooring, Restrooms	15	7	2025	2,731					
2	CH - Window Coverings, Blinds	12	1	2019	2,844		2,988			
2	CH - Wood Flooring, Main Room	20	11	2029	5,907					
2	Sauna - Heater	15	13	2031	3,274					
2	Sauna - Wood Replacement	35	31	2049	13,585					
5	Admin - Carpeting	12	1	2019	3,982		4,184			
5	Admin - All Counter, Reception/Office	35	33	2051	8,226					
7	Access - Entrance, Access Phone	5	1	2019	7,041		7,397			
7	Access - Entrance, Electronic Card Reader	12	8	2026	15,390					
7	Access - Entrance, Gate Operators x 2	12	1	2019	17,022		17,884			
7	Access - DC - 2000 Battery Backup System x 2	12	11	2029	4,245					
7	Gate - Security Surveillance System	10	10	2028	2,833					
7	Fencing - Wrought Iron, Entry Gates	25	19	2037	3,434					
2	Jacuzzi - Heatpump, Jandy 2.5 ton	15	12	2030	16,713					
2	Air Cond - Split System, CH 5 ton/Furnance 30Kw	15	13	2031	16,984					
5	Office - Copier, Cannon	10	3	2021	18,072				19,948	

Cat	Asset	Useful Life	Remaining Life	Repl Year	Current Cost	2018	2019	2020	2021	2022
6	Equipment - Brush Chipper, Vermer	12	6	2024	12,892					
6	Equipment - Bucket Attachment	20	14	2032	5,186					
6	Equipment - Flail Mower Attachment	10	7	2025	19,635					
6	Equipment - Riding Mower	7	7	2025	10,302					
6	Equipment - Sander, Street Hi-Way	15	11	2029	9,022					
6	Equipment - Snow Plow Attach, Blade	15	11	2029	8,013					
6	Equipment - Snow Plow - Hydraulic pump	8	1	2019	2,617		2,749			
6	Equipment - Sweeper Attachment	20	6	2024	11,144					
6	Equipment - Tractor, New Holland	20	5	2023	54,395					
6	Equipment - Truck, Ford 350 4x4, 2004	10	5	2023	26,534					
6	Equipment - Truck, Ford F-250 4x4	10	1	2019	24,942		26,205			
6	Equipment - Truck, Dodge 4x4, 2004	10	2	2020	23,244			25,031		
2	Deck - Replacement, Clubhouse	20	18	2036	30,492					
2	Doors - Pool, Sectional Glass/Mtl	25	20	2038	7,603					
5	Doors - Roll Up, Sectional Metal	25	19	2037	5,535					
5	Doors - Roll Up, Sectional Wood	25	11	2029	5,201					
2	Doors - Solid Core/Panel, Clubhouse	25	19	2037	7,058					
4	Beach Area - Playground Equipment	20	18	2036	16,753					
7	Fencing - Chain Link, RV Lot "B"	25	22	2040	24,809					
7	Fencing Chain Link, Sport Ct	35	34	2052	11,144					
7	Fencing - Chain Link, Tennis Courts	25	15	2033	18,839					
2	Fencing - Solid Board, Clubhouse, 304'	20	14	2032	10,032					
2	Fencing - Solid Board, Clubhouse, 146'	20	12	2030	5,974					
7	Fencing - Chain Link/Privacy/Gate*2, RV Lot "A"	35	35	2053	27,928					
7	Fencing - Solid Board, Tract C 430 LF	20	16	2034	12,206					
7	Fencing - Chain Link/Gate, Privacy, RV Lot "B"	35	33	2051	6,316					
2	Fencing - Chain Link, CH/Pool	25	16	2034	7,557					
7	Gravel Replacement - RV A	10	8	2026	6,267					
7	Gravel Replacement - RV B	10	0	2018	11,578	11,868				
7	Mailsite Structures - Main Gate	30	18	2036	9,125					
7	Mailsite Structures - Foxfield Dr.	30	23	2041	11,036					
7	Mailsite Structures - Kala Heights	30	15	2033	13,994					
7	Mailsite Structures - Sailview Dr.	30	19	2037	10,354					
7	Mailsite Structures - Pinecrest I	30	27	2045	7,851					
7	Mailsite Structures - Pinecrest II	30	25	2043	12,402					
2	Railing - Stair, Pipe, Clubhouse	35	32	2050	3,594					
4	Boat Ramp, Concrete - 50'	30	24	2042	20,304					
4	Bridge - Replacement, Beach	50	45	2063	37,751					
4	Dock - Replacement Four Floats	25	24	2042	46,435					
4	Dock - Metal Gangway Replacement	30	2	2020	9,319			10,035		
4	Dock - Pile Replacement (7), Galv. Floats	30	9	2027	74,295					
4	Moorings - Replacement Anchors	20	5	2023	7,960					
4	Pier - Replacement (1100 sf), 10 Pilings	40	15	2033	168,388					
4	Pier - Piling Inspection & Treament	10	5	2023	6,368					
5	Admin Bldg - Siding Replacement	40	38	2056	25,879					
2	Clubhouse - Siding Replacement	40	38	2056	33,053					
4	Building Replacement - Gazebo	40	35	2053	10,773					
7	Building Replacement - Guardhouse	45	43	2061	21,094					

End. All inserts must be above here.

Total Number of Assets

138

Total

\$181,322

Kala Point Owners' Association 30-Year Reserve Contribution

		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Cash Balance		442,325	433,293	470,382	308,686	360,598	521,015	587,200	708,112	830,069	680,408	758,851	729,038	540,613
Interest Earned		4,290	4,657	3,056	10,503	15,175	17,103	20,625	24,177	19,818	22,102	21,234	15,746	19,860
Contributions Reserves		168,000	172,200	176,505	180,918	185,441	190,077	194,828	199,699	204,692	209,809	215,054	220,431	225,941
Annual Expenditure		181,322	139,768	341,257	139,509	40,198	140,995	94,541	101,919	374,171	153,468	266,101	424,602	104,569
End of Year Cash Balance	442,325	433,293	470,382	308,686	360,598	521,015	587,200	708,112	830,069	680,408	758,851	729,038	540,613	681,845

	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
	681,845	745,686	899,908	672,274	846,175	1,050,691	550,855	429,717	180,271	342,769	452,674	647,470	771,063	548,134	762,235	847,617	1,070,867	1,337,209
	21,719	26,211	19,581	24,646	30,603	16,044	12,516	5,251	9,984	13,185	18,858	22,458	15,965	22,201	24,688	31,190	38,948	35,429
	231,590	237,380	243,314	249,397	255,632	262,023	268,573	275,288	282,170	289,224	296,455	303,866	311,463	319,249	327,230	335,411	343,796	352,391
	189,468	109,369	490,529	100,142	81,719	777,902	402,227	529,985	129,656	192,504	120,516	202,731	550,357	127,349	266,537	143,351	116,402	508,617
	745,686	899,908	672,274	846,175	1,050,691	550,855	429,717	180,271	342,769	452,674	647,470	771,063	548,134	762,235	847,617	1,070,867	1,337,209	1,216,412

Minimum End of Year Balance	180,271
Year of Minimum End of Year Balance	2038
Average Annual Expense	251,393
Next 3-Year Override Interest Rate	1.00%
Interest Rate	3.00%
CPI	2.50%

2018 Annual Assessment Details

<u>Lots, Homes & Condos</u>	<u>2018</u>	<u>2017</u>
Operating Expenses	\$655	\$636
Reserve Contribution	\$267	\$267
Total Assessment (Unadjusted)	\$922	\$903
Percent Change (Unadjusted)	2.1%	
Prior Year Operating Adjustment	(\$62)	(\$27)
Operating Assessment	\$593	\$609
Total Annual Assessment	\$860	\$876
Percent Change (Adjusted)	-1.87%	

<u>Timeshares</u>	<u>2018</u>	<u>2017</u>
Operating Expenses	\$177	\$172
Reserve Contribution	\$40	\$40
Total Assessment (Unadjusted)	\$217	\$212
Percent Change (Unadjusted)	2.5%	
Prior Year Operating Adjustment	(\$5)	(\$11)
Operating Assessment	\$172	\$161
Total Annual Assessment	\$212	\$201
Percent Change (Adjusted)	5.3%	