



Ridgewater Homeowners' Association
C/O Peterman Inc.
P.O. Box 8748
Bend, OR 97701

October 11, 2006

To: All Ridgewater Home and Lot Owners

From: Ridgewater Board of Directors

Subject: Dues increase for 2007

At the October 10, 2006 Board meeting, the Board voted to raise the dues \$4.00 per month. To help all homeowners understand the need for this dues increase, the following information has been provided to you. This increase will be effective for the 2007 Fiscal Year that runs from January to December and will be payable with the June 1, 2007 billing.

HISTORICAL INFORMATION

In 2002, when Ridgewater was formed as a HOA, the dues were set at \$40 per month. Shortly after the formation of the HOA, the dues were decreased to \$36 where they have remained through 2006. The dues were structured so that \$28 was for operations and \$8 was for reserve funding.

At the February 2006 Board meeting, the first meeting of the current Board, we discovered that the Reserve funds were not present in any cash account in the amounts expected for the time period dues have been collected. The past management firm, Cascade Bookkeeping, was allowed by the past Board to co-manage the checking and reserve funds. As a consequence, Cascade had occasionally transferred cash from reserve funds to operations. The major reason for these transfers appears to be the extraordinary expenses for Cascade Bookkeeping's services, averaging close to \$1000 per month for the first 4 months of 2006. As best can be determined, the reserve funds were short about \$10,000.

For this reason and others, your Board terminated the services of Cascade and began to run the HOA day-to-day affairs internally. We also hired the services of Peterman Inc to do our bookkeeping/financial management with strong Board oversight.

Besides carefully managing expenses, the Board setup a Money Market Fund for reserve funds that required a majority vote of the Board to use any funds from this account. At \$8 per month per lot, the reserve funds should have around \$4900 per year contributed each year. To begin to recoup the expended \$10,000, the Board decided to contribute 35% of 2006 dues to this reserve account that amounts to a total contribution of around \$7700. At

this rate, we would recoup about \$2800 each year. In other words, in about 3 to 4 more years (beyond 2006) we would recoup the \$10,000.

Also during the February 2006 Board meeting, the Board voted to monitor our cash position and expenses to determine if a dues raise would be necessary rather than raising dues for the current 2006 fiscal year. In the next section, this review is summarized.

CURRENT FINANCES

Using historical costs for the last year, your Board prepared a pro-forma budget (Table 1) that indicates at the current \$36 dues, we would be in deficit about \$3700 for the next year. Since that is an untenable situation, the options were:

1. Cut expenses
2. Raise dues
3. Reduce contributions to reserve funds

The Board viewed as unfeasible options numbers 1 and 3. Expenses have already been cut to the minimum and maintaining the additional catch-up contribution to the reserve funds was seen as crucial for future years. For example, this next month we will seal cracks in the streets. While this only will cost \$425 within 3-5 years we will need to do a seal coat on all the streets. By doing this, we hope to have our pavements last 30 years. However a seal coat currently costs about \$13,000-\$15,000 for our streets. The cost of oil products will determine the actual cost at the time a seal coat is needed. Other items to be paid from reserves include, repairing or replacing the commons fence, the mail kiosk, and irrigation system.

By raising the dues to where they were at the start of 2003 (\$40 per month) and maintaining the reserve contribution at \$7700, the Board estimates that the deficit will be \$1230. The Board feels that this is manageable since if certain expenses, such as snow removal, catch basin services or legal expenses, do not come in as high as predicted, then the budget will be close to balanced. The Board selected this option and voted unanimously to increase the dues to \$40 per month (\$480 per year). The billing time will be the same as currently done in June.

As previously noted, the Board is providing you with this information so that you can better understand the facts leading up to this decision. By our By-Laws, the Board is authorized to raise dues up to 20% by simple resolution and a vote of the Board. If you have particular questions or feel the need for additional information, you are invited to an informational meeting held at **Gary Canter's house, 61260 Desert Oasis Ct, at 7 PM on October 23**. Members of the Board will be present to answer questions.

TABLE 1. BUDGET ESTIMATE FOR 2007 YEAR			
Dues=	\$36/month	\$40/month	
ITEM	\$		
INCOME, DUES	\$ 22,032	\$24,480.00	
EXPENSES			
Landscaping Services	4200		
Irrigation System Maintenance	300		
Catch Basins Service	2400		
Electricity	900		
Water	2220		
Snow Removal	1500		
HOA Bookkeeping (Peterman)	4320		
Legal Fees	500		
Insurance	400		
Postage	600		
Office Supplies	360		
Taxes	100		
Misc.	200		
TOTAL EXPENSES	18000	18000	
35% RESERVES	7,711.20	\$7,711.20	
TOTAL EXPENSES+RESERVES	25,711.20	\$25,711.20	
SURPLUS/DEFICIT	(3,679.20)	-\$1,231.20	
	(72.14)	(24.14)	DEFICIT/LOT
	(6.01)	(2.01)	DEFICIT/LOT/MONTH