

Northfield Homes Association, Inc. (NHA)
2011 Financial Review

	2009 Actual	2010 Actual	2011 Actual	2011 Fav.(-Unfav.) to 2010	
				Amount	Percent
Income:					
NHA Assessments	\$128,293	\$136,567	\$154,780	\$18,213	13.3%
NHA Transfer Fee	500	250	250	0	0.0
Interest Income	528	919	878	-41	-4.5
Finance Charges	incl. above	466	591	125	26.8
Total Income	\$129,321	\$138,202	\$156,499	\$18,297	13.2%
Expenses					
KCMO Water--Irrigation	\$15,594	\$18,058	\$28,793	\$-10,735	-5.9%
Lawn Care Services	72,892	74,149	72,463	1,686	2.2
Irrigation System Maint/Repairs	14,411	16,391	14,193	2,198	13.4
Snow Removal	5,522	15,778	16,025	-247	-1.6
Tree Removal/Replacement	2,893	1,164	8,085	-6,921	N/A
Tree Sprays	723	1,825	378	1,447	79.3
KCPL	394	436	452	-16	-3.7
Miscellaneous	5,232	5,779	3,629	2,150	37.2
Total Expenses	\$117,661	\$133,580	\$144,018	-\$10,438	-7.8%
Balance Favorable/(Unfav.)	\$11,660	\$4,622	\$12,481	\$7,859	N/A
Memo:					
NHA Assessment per Unit	\$1,600	\$1,600	\$1,720		
Total Expenses per Unit	\$1,418	\$1,596	\$1,694		
NHA Reserves at 12/31	\$27,810	\$32,004	\$36,630		
Occupied Units at 12/31	83	84	85		

Income -- \$156,499

NHA assessments were increased to \$1,720 for 2011 from \$1,600 in 2008-2010. Total assessment income of \$154,780 was received in 2011. One delinquent assessment balance of \$420 was unpaid at year-end. One transfer fee was received for a home sale in Phase II. The number of occupied units increased from 84 at 12/31/10 to 85 at 12/31/11. Interest Income decreased slightly due to lower rates and Finance Charges collected increased slightly based on a higher number of delinquencies during the year.

Expenses

KCMO Water (Irrigation and Stormwater) -- \$28,793 -- Stormwater charges made up \$769 of this expense. This category increased \$10,735 or 59% in 2011 vs. 2010. Most of this increase was attributable to higher water usage but water rates also rose significantly as Kansas City continues their announced plans to progressively recover costs associated with a system upgrade. Significant disparity occurred by address for individual meters -- although meters at some of those addresses provide water to more than one address. However, water to individually metered homes that are "stand-alone" varied from 45,000 gallons for the season to a high of almost 155,000 gallons. The average for homes on master controllers (including watered common areas) equalled about 50,000 gallons. Total irrigation water usage for all of NFV was 5,730,428 gallons which points out the need to conserve this important resource. By comparison, one NFV couple reported about 31,000 gallons of personal water usage through their home meter for the entire year. Individual meters are shown for 22 addresses in NFV. Each meter at those homes is assessed a fixed fee per month ranging from \$11.00 to \$13.00 (assessed each month although the irrigation system is only on for 5 or 6 months). Using an average of \$12.00/month, these charges total over \$3,000/year of the annual irrigation water expense without any actual water usage costs included.

Lawn Care Services -- \$80,548 -- This category includes mowing, chemical applications, common area maintenance, and other non-contract groundskeeping services. The total expense increased \$6,747 or 9% in 2011. In 2011, 29 lawn mowings occurred vs. 27 in 2010. Fuel surcharges included in billings from Messenger Lawn and Sprinkler totaled \$1,027 in 2011. (In some months, a fuel surcharge was charged to the mowing account; other months to a separate fuel surcharge account). Fuel surcharges were originally initiated to apply when gas for mowers exceeded \$2.75/gallon. In 2011, the surcharge was expanded to include any occasion that Messenger personnel travelled to NFV at the rate of 1.50% of the invoice value -- including irrigation system repairs. The fuel surcharge was also applied to material costs included on invoices.

Lawn fungicide and nutsedge treatments decreased from \$2,087 in 2010 to \$1,296 in 2011. Weeding of common area beds, pruning of common area shrubs, and mulching common area beds decreased from \$3,655 in 2010 to \$3,310 in 2011, primarily due to common area weeding charged at a contracted rate in 2010 of \$1,560 (8 occurrences @ \$195 each) vs. \$975 for 5 weeding charges billed in 2011.

Irrigation System Maintenance/Repairs -- \$14,193 -- The amount charged to this account in 2010 was \$16,391. Breakdown for 2011 was:

System startup/backflow testing	\$46 X 85 units =	\$3,910.00
Controller adjustments -- May	\$10 X 85 units =	850.00
Irrigation winterize -- November	\$24 X 85 units (plus Tax)	2,070.60
	Sub-ttl	<u>\$6,830.60</u>

Additional charges to this category were \$7,362 incurred to repair sprinkler lines and heads, primarily in the older lines in Phase I -- compared to \$6,361 in 2010.

Two invoices paid to Messenger for irrigation repair -- invoice 32330 billed in September and invoice 31506 billed in October -- are for basically the same amount (\$815). Since they reference the same service date and the same 6 addresses for the repairs, they could be duplicates. A note on invoice 31506 states it is "to be considered as an irrigation system walk-through" and is not duplicative of invoice 32330. It's unclear if a walk-through actually occurred.

It was also noted the billing quality of Messenger deteriorated significantly in 2011 vs. previous years. Numerous instances of invoices containing incorrect rates/amounts, duplication of service-performed dates, application of taxes and fuel surcharges, etc. required much more attention by the NHA grounds committee representative and the NHA treasurer.

Snow Removal -- \$16,025 -- The NHA paid Messenger for the removal of snow in excess of 2" from driveways and front door sidewalks on an as-performed basis per the contract schedule below:

<u>Snow Depth</u>	<u>Cost per Unit</u>	<u>Event Date</u>	<u>No. of Units</u>	<u>Amount</u>
2" to 4"	\$25	None	N/A	\$0
4" to 6"	\$35	3/25	85	\$3,019.63*
6" to 8"	\$43	1/10	83	\$3,569.00
6" to 8"	\$43	1/20	85**	\$3,741.00
8" to 10"	\$60	None	N/A	\$0
10" to 12"	\$67	2/2	85	\$5,695.00***
			Total	<u>\$16,024.63</u>

* Included fuel surcharge of \$44.63

** Plus 2 units from 1/10 underbilled invoice count

*** This snow removal event was billed at \$67.00/unit. Contract states 10" to 12" snow removal to be billed at \$72.50/unit (50% of \$25 for each additional 2" above 10")

The rate per removal was the same for 2010 and 2011 but the total charges of \$16,025 in 2011 were slightly higher than 2010 (\$15,778) due to the heavier depths removed in 2011, especially the estimated 10" to 12" amount on February 2, 2011.

Tree Removal/Replacement -- \$8,085 -- In August, a severe windstorm hit NFV and the NHA Board made the decision to remove a tree that had fallen across a rear deck at 8612 Liston and to remove storm damaged trees from "maintained" common areas at various addresses. Trees on common areas adjoining Line Creek Parkway and other trees and brush piles on common areas were also removed. Current NHA Declaration of Restrictions do not permit replacement of trees by the Association. These tree services were performed by the Farage Tree and Stump Removal company.

Tree Sprays -- \$378 -- Messenger invoice 30768 included a charge of \$378 for a late Spring tree spray on July 15. No other tree spray invoice was noted in 2011 although the Messenger contract called for two free ash tree sprayings as one incentive for signing a two year contract in 2010.

Miscellaneous -- \$3,629 -- Charges in this category included:

\$1,614	Property insurance on NHA assets plus officer liability insurance.
\$830	A total of \$830 was spent on legal fees to pursue collection of delinquent assessments. These legal fees and the previous year delinquent assessment plus finance charges were recovered via court action.
-\$2,030	Legal fees reimbursement to NHA for legal actions to collect delinquent assessments.
\$639	Real Estate Taxes paid to Platte County for NHA-owned common areas.
\$616	NHA office expenses for Quickbooks software, postage for mailings, and copies.
\$500	Payment to Messenger for irrigation map of Northfield Village.
\$347	Ground Committee expenses to support volunteer clean-up efforts: \$225 for a dumpster, \$91 for herbicides, and \$31 for volunteer refreshments.
\$247	Federal Income Tax paid by NHA on net income.
\$1,766	Bad Debt write-off of uncollected 2011 assessment (plus finance charges) due to a homeowner bankruptcy. Per the Board, collected in 2012 by a court approved settlement.
-\$900	Reimbursement from Messenger for 3 water controller sensors that did not work.
\$3,629	

Conclusion

Other than minor exceptions noted, no major discrepancies were found between entries on the NHA 2011 Annual Report provided to the Board and the supporting documentation. My thanks to Neil Miller, Treasurer, for providing the necessary files and reports to conduct this review. The residents of Northfield Village are indebted to the Board members, committee members, and volunteers for their unpaid services.

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