

Northfield Homes Associations, Inc. (NHA)
2014 Profit and Loss Statement

Prepared: February 20, 2015

	<u>Actual 2013</u>	<u>Reported Actual 2014</u>	<u>Restated Actual 2014</u>
Income			
NHA Assessments	\$ 146,100	\$ 145,811	\$ 145,811
NHA Residence Transfer Fees	\$ 1,000	\$ 500	\$ 500
Dividends/Interest	\$ 299	\$ 326	\$ 326
Finance Charges	\$ 357	\$ 300	\$ 300
Total Income	\$ 147,756	\$ 146,937	\$ 146,937
Expense			
Lawn Care Services	\$ 68,425	\$ 80,529	\$ 80,529
Non-Contract Lawn Care	\$ 6,948	\$ 451	\$ 451
Non-Contract Landscape Services	\$ -	\$ 3,900	\$ 3,900
KCMO Water-Irrigation	\$ 38,863	\$ 28,363	\$ 35,402
Irrigation System Repairs/Maintenance	\$ 11,734	\$ 897	\$ 897
KCMO Stormwater Charges	\$ 655	\$ 648	\$ 648
KCPL Sprinkler Controller Charges	\$ 461	\$ 472	\$ 472
Snow Removal	\$ 6,160	\$ 6,370	\$ 6,370
Other Repairs/Maintenance	\$ 2,976	\$ 3,831	\$ 3,831
Real Estate Taxes	\$ 699	\$ -	\$ -
Insurance	\$ 1,366	\$ 1,602	\$ 1,602
Website Maintenance	\$ 598	\$ 563	\$ 563
Office Supplies/Expenses	\$ 301	\$ 35	\$ 35
Postage	\$ 170	\$ 171	\$ 171
Legal and Professional	\$ 415	\$ 80	\$ 80
Miscellaneous	\$ 360	\$ 222	\$ 222
Total Expense	\$ 140,131	\$ 128,134	\$ 135,173
Net Ordinary Income	\$ 7,625	\$ 18,803	\$ 11,764
Non-Recurring Income		\$ 8,627	\$ 8,627
Net Income	\$ 7,625	\$ 27,430	\$ 20,391
Memo:			
NHA Assessment per Unit	\$ 1,720	\$ 1,720	\$ 1,720
Total Expense per Unit	\$ 1,611	\$ 1,440	\$ 1,519
NHA Reserves at 12/31	\$ 52,292	\$ 72,620	\$ 72,620
Occupied Units at 12/31	87	89	89

Methodology used in Financial Review: This review was based on a comparison of the reported P&L figures to the NHA general ledger, bank statements, and invoices in file. The comparisons were accurate except where noted in the following narrative.

Income--\$146,937 -- The 2014 NHA assessments were \$1,720 -- the same as recent years. The number of occupied units at year end were 89 -- 2 new residents in 2014. The difference between the year end residence number of 89 X \$1,720 (\$153,080) and the collected amount of \$145,811 is represented by unpaid amounts (3124 NW 86 St & 3016 NW 87 St.), partially unpaid amount (8654 N. Britt), unbilled partial year residences (8632 N. Liston and 3001 NW 87 St.), and an adjustment from a previous Chapter 13 bankruptcy settlement. Total unpaid balances at year end including unpaid finance charges but excluding the two unbilled partial year residences = \$6,560. Transfer fees of \$500 were received from 2 residence transfers (Ficke and Dochterman). Dividends and Interest of \$326 were verified as received from NHA Credit Union Accounts. Finance charges assessed to delinquent residents were \$782. Of that amount, \$300 was paid.

Note: There was no evidence in file of two new residents (Michael-8632 N. Liston & Martin-3001 NW 87 St) being billed for prorated 2014 dues although records in file indicated they occupied their homes in 2014.

The NHA Declaration of Restrictions dated June 7, 1999, Article IV, state assessments shall be made in a prorated amount based on the occupancy date of the residence. If no assessments were made or collected regarding these two properties, prorated amounts due for 2014 should be invoiced and collected. It was noted water and lawn care services were provided to these residences by the NHA in 2014.

Expenses

Lawn Care Services -- \$80,529 -- This category includes mowing, chemical applications, common area maintenance, and other non-contract groundskeeping services approved by the Board. The majority of this expense was a prepayment of \$69,846 to the grounds service provider, Perfect Turf, for their contracted services. Other major payments to Perfect Turf included \$5,124 for plants for entrances to the development in June, \$3,872 for new plants and landscaping around the gazebos at the entrances in October, and \$400 for extra non-contract work on common area beds.

Under contract terms with Perfect Turf, NHA prepays for contract lawn care services by February 1 of the contract year. In return, NHA received a 8.3% discount (\$6,546) from Perfect Turf's gross bid. This practice puts NHA at risk should Perfect Turf fail to perform any or all of the prepaid services. These services include 30 lawn mowings, 6 lawn chemical treatments, 12 common area bed maintenances, 2 bush/shrub prunings, 1 top dress mulching, 4 choke cherry and Austrian pine sprays, 1 soil aeration/overseeding, 1 Spring cleanup, 1 Fall cleanup, sprinkler system startup, shutdown, and backflow testing, and 4 seasonal sprinkler checkups. In addition to the risk, there was no evidence in file that indicated NHA had a system in place to monitor receipt of these services. Invoices were in file but did not contain service dates and many months' invoices were prepared at the same time since they were numbered consecutively. The Board should develop a service monitoring system to insure receipt of services for which they pay. The Board should also evaluate the value of receiving the discount price versus the risk and monitoring difficulties. At minimum, the Board should consider advance payment for lawn and chemical treatments only and pay for the other services as performed and invoiced. The Board should also periodically obtain competing bids to compare to the services and terms of the present service provider.

Note: Personal records of one homeowner recorded 29 mowings in 2014, an overpayment by NHA of \$1,566. Four invoices totaling \$751 were charged to this category although they appeared to be for sprinkler repairs that should have been charged to that category. Also, no invoices or approvals were noted in file for a \$69.38 charge for Round-up to treat street weeds or a \$196.19 payment for extra mulch/plants.

Non-contract lawn care -- \$451 -- Four payments comprised this account: \$200 payment to a resident for clearing a landscape area, \$82 payment to a resident for deer repellent, \$169 for sprinkler nozzle repairs (as noted above, it appears these charges should also be categorized as sprinkler repairs). No invoices were noted in file for the first two charges.

Non-contract landscaping -- \$3900 -- Payment to Curbscapes Co. for production & installation of custom concrete edging around perimeters of the 4 gazebos at entrances to NFV.

KCMO Water-Irrigation -- \$28,363 -- There are 25 individual water meters in NHA (plus two master controllers). Each meter is assessed a fixed fee per month ranging from \$12 to \$13 per month (it is not clear why sales tax is charged to approximately 80% of the meters). The irrigation system is activated only 7 months or so but NHA pays these fixed fees each month -- resulting in annual fixed fee charges of over \$4,000/yr being included in the \$28,363 before considering any charges for actual water usage.

In tracking water invoices from the General Ledger to the payment records, it was noted over \$7,000 in charges for July and November had been omitted from the summary P&L. The second column on the cover page of this review restates the P&L to recognize these water charges paid by the NHA. The Ledger should be corrected.

Irrigation System Repairs/Maintenance -- \$897 -- Google trenched their underground fiber cable throughout NFV in 2014. In the process, considerable damage was done to the NFV irrigation system. Repairs totaling \$7,758.51 were performed by Perfect Turf. The Board was able to obtain reimbursement in this amount from the construction company performing the work for Google.

KCMO Stormwater charges -- \$648 -- These NHA fees are based on the square footage of hard surfaces on property not owned by the homeowner, e.g. sidewalks and driveways. Homeowners are assessed on their personal water bills for roof and deck areas. Billed to NHA on a semi-annual timing.

KCPL Sprinkler controller charges -- \$472 -- KCPL charges the NHA \$39.36 per month for electrical power to the two master water controllers in NFV.

Snow Removal -- \$6,370 -- As part of the Lawn Care prepayment contract, NFV also receives credits from Perfect Turf for snow removals of up to 5". On January 4, 2014 NHA paid Perfect Turf \$160 to plow and salt the two entryways. At the same time, NFV received a "free" snow removal service valued at \$1,950 per the prepayment contract. Other snow removal payments included \$160 for entryway clearing on February 5, \$4,100 for removal of a snow depth on the same date billed at over 11.1 inches, and \$1,950 for March 2 removal of a snow billed at 2-5".

Repairs and Maintenance --\$3,831 -- These charges were for a new flagpole at the south entrance due to storm damage of the original (\$443), materials for installation of the flagpole (\$62), and mudjacking of sidewalks in various locations throughout NFV. No invoices for any of these charges were noted in file.

Insurance -- \$1,602 -- Charges paid to State Farm Insurance for property insurance on NHA assets plus officer liability insurance.

Website maintenance -- \$563 -- Paid to Business Website Links at \$35/mo plus \$178 annual website hosting fee.

Office Supplies --\$35 -- Paid to Board Treasurer for installation of Quickbooks. No invoice noted in file.

Postage -- \$171 -- Payment to Postmaster for annual P.O. Box rental (\$78) and postage for various NHA mailings.

Legal and Professional -- \$80 --Legal fees paid for work on resident bankruptcy case.

Miscellaneous -- \$222 -- Bank charges (\$15), donuts for volunteer day (\$40), Federal Income tax (\$60), Missouri Income tax (\$11), room rental at Primrose for meeting (\$50), flag for entrance (\$44), rounding (\$2).

Non-recurring Income -- \$8,627 -- The City of Kansas City proposed buying an easement of property abutting Hwy 152 for expansion of a bike trail system. The owner of common areas located in the affected developed area (Rosewood Investments) offered to quit claim deed the property to Kansas City. Some of the property has been maintained by the NHA. The Board approved a proposal to split the proceeds evenly between Rosewood and NHA at a fair market value negotiated price. The NHA share of the agreement (\$8,627) was deposited 8/15/14.

Prepared by Tom Files February 20, 2015