

Q&A for 2020-2021 FY Budget

3/18/2020

Lot 335 Sylvia Devilbiss- 1- I am very upset with proposal for an additional 2.00 increase in monthly fees. I think everyone is in a crunch at this time with everything happening with this virus. Some have been layed off some have taken hard hit on savings etc. You truly need to consider that when planning increases in monthly fees. I understand reserves has been an issue. At this time, we have 300,000 in reserves with 70,000 additional budgeted. In the past if we had major repairs such as roads we paid assessments. Not ideal maybe but it has worked. I own a home plus a vacation getaway. I purchased in WHP because fees were reasonable. You have increased fees 7.00 plus an additional 7.00 now additional 2.00 plus additional 50.00 for cable. Most of us will not be happy getting hit with all that at one time. Please reconsider.

The Board will take your points into consideration. We are also waiting on proposals from more cleaning companies. Our goal is to provide enough money to take care of our community. Our budget last year did not include funding for cleaning. We tried to build it in. Our Park Manager agrees we need professional cleaning services in order to keep bathhouses, laundry, areas in the office, and restrooms, in a sanitary condition and thoroughly disinfected. As you know, it is accessible by any owner and or their guests/renters. After seeking a few proposals, we learned we might need more money. This is a draft budget, and we will absolutely consider your points. We are still discussing options, and our manager will continue to seek proposals.

Lot 335 Sylvia Devilbiss- 2- I certainly don't claim to understand all about our budget, but I do question why we are not getting all information. I am thinking the last monthly report I see our actual reserve figure is October. I want to see what is in the reserves each month. I also would like to see you continue to provide us with a profit and loss sheet. Shouldn't our reserve fund increase substantially once our marina loan (money taken from our general funds) is paid off and that money is then once again deposited to our general fund instead of toward the marina fund? What is the current reserve amount? Why can't this hold us without an additional \$2.00 increase? I do disagree with your statement that there has been no increase for 8 years. No fee increase, but water and sewer increase and electric. Bottom line my monthly check HAS definitely increased however you split it up. Please reconsider this increase and provide us with all budget information.

Thank you

The Board apologizes for the statement, however the portion of your monthly assessment that has gone up is for items that are a pass-through expense, we take the money in and pay it back out. These costs have gone up indicative of an inflationary trend. Our dues should probably have approximated the inflationary increase as this money is expended in the operation of WHP. We are working with the Bakers to come up with a report format to share with the community. We appreciate you bringing this matter to our attention. (PLEASE SEE FINANCIALS POSTED 3/20/2020)

3/19/2020

Lot 329 Brian Fenstermacher- 1) Why do we need to budget \$3000 for bad debt? In FY ending 2019 we had \$0 bad debt. This past year through January 2020 we had \$300. I couldn't find any evidence of bad debt ever exceeding \$300. We usually budget \$500; which goes mostly unused. Most debt is collected by our lawyer. We put liens on properties and eventually we get paid. Delinquent Revenue is not the same as Bad Debt.

It was suggested that we budget 8k, with our ultimate goal being to build a fund equal to half of the bad debt. Our bad debt is very high and wasn't previously accounted for properly. The accounting that you were familiar with was inadequate and is being cleaned up to properly account for profit and loss.

Lot 329 Brian Fenstermacher- 2) I assume the Other Professional fee of \$8750 is for the Reserve Study. This is totally unnecessary. We don't need to spend that much money to tell us how much we need in reserves. We don't have to follow the recommendations of the Audit.

The Board ordered an audit that wasn't budgeted, and now you are suggesting we do not follow its recommendations. That kind of logic rings hollow, follows long standing failed accounting practices, and is confusing.

Lot 329 Brian Fenstermacher- 3) It is OK to use reserves for unexpected expenses. That is one of the things they for. The proposed budget appears to have enough money to cover unexpected expenses plus puts money in reserves. I don't feel you need to be so conservative.

Thank you for this observation but this Board would like to actually be able to fund the reserve as is budgeted, which has not happened in the past.

Lot 196 Bill Hamilton- 1. YTD P&L Financial Reports (NOT actually part of the proposed budget): Are Baker & Associates producing these reports now? **Yes**

Lot 196 Bill Hamilton- 2. Is it part of their contract to do so? Since December 2019, when Baker & Associates took over our accounting, there has only been one YTD P&L Report posted to the WHPCA web site (April 1, 2019 to January 20, 2020 YTD, posted on the WHPCA web site on 2/11/2020). Is there some compelling reason why the WHP monthly financial information is not being regularly reported to the WHPCA members? I would like to see this information regularly and frequently reported (i.e., monthly) so we can see for ourselves our Park's financial health. The information is fact - you can't spin it or change it. Please consider reimplementing regular financial reporting (like it used to be). The Narrative for 2020-2021 Budget updated 3/17/2020 document posted on the

Financials page of the WHPCA website states, in part, 'We are now in an era of transparency and accountability ...,' and regular and timely financial reporting should certainly be an integral part of that transparency and accountability. **The process in the past was that the treasurer would consult with Ted, at the end of each month (beginning of the next month), address questions or concerns, then present financials to the Board. Once agreed upon by the BOD, the financials were shared with the community. This process has broken down. There is no reason other than that our Board has lost track of the process. We are working with the Bakers, and we are hoping to post financial reports soon.**

Lot 196 Bill Hamilton- 3. Pool Management contract: budget line item is unchanged @ \$32K on both the 2/15 and 3/16 drafts. It was stated in the March newsletter that Billie Reynolds had saved WHP over \$10K by renegotiating the pool management contract. Since Billie started working on 2/3 and spent her first week sequestered with Janice, she couldn't possibly have had time to renegotiate the pool management contract by 2/15 - shouldn't this item reflect the \$10K savings in the 3/16 draft (compared with the 2/15 draft)? **This matter actually ended up being a cost avoidance. 32k was the number plugged in for the pool contract. When we realized the problem, we shared it with Billie. She had informed us that the contract for 42k had not been sent to the pool company manager. This presented an opportunity for negotiation. Billie was able to negotiate a contract, with a different company, that fit within our mistaken budget.**

Lot 196 Bill Hamilton- 4. Bank of America Rewards and Interest: these 2 revenue line items are missing from both the 2/15 and 3/16 drafts (Miscellaneous Revenues category). Are we no longer earning interest (or is interest carried as Miscellaneous Revenues Fees - Other?) and getting Bank of America Rewards? **Those rewards were in the form of gift cards, and the credit card that the park had been using was opened under the personal responsibility of Ted. It has been decided to eliminate that practice, as it ends up being a complicated situation that leaves individuals somewhat liable, especially when the card needs to change hands. We are working to keep all spending strictly connected to our Association and its accounts.**

Lot 196 Bill Hamilton- 5. General Comments on the 2020-2021 Budget: Certainly, nobody likes a price increase. That said, I agree it's necessary for WHP's financial health to increase the Homeowner Assessments to keep up with inflation, aging infrastructure, depreciation, etc., and I totally support the BOD's actions in doing so. Also, even though WHP's cable costs with Mediacom are very reasonable, the price has arbitrarily (i.e., much greater than inflation) increased for the past several years, so taking an active role to implement a multi-year agreement was a big win for WHP! **Thank you!!** My only other comments relate to the increase in Repairs in the budget: looking at the April 1, 2019 to January 20, 2020 P&L Report, both Repairs (up 50% over budget) and Maintenance Payroll, and using the P&L report to project 2020-2021 costs (9.5 Actual + 2.5 Estimated), the 2020-2021 Maintenance Payroll looks a bit low (Repairs look spot on), but not enough to bust a \$1.28M budget.

3/21/2020

Lot 388 Bill Rinkers- Q1. I see our legal fees have drastically increased. I assume this is due to the legal action necessary to bring WHP into compliance regarding illegal full time residency. My question, once this legal action is over, will we reassess our budgetary requirements and potentially reduce our monthly dues?

- A. Yes, hopefully future boards will be able to reduce monthly dues. However, a huge problem exists. We have budgeted very little (\$1,000 in 2019) for legal. WHP and our Declaration are being sued by Mr. Cropper and his clients. If the courts rule in favor of the Declaration and/or the law, and this is challenged further, this could continue to cost the community significant money, especially if the matter is taken to a higher court. The budgeted amount is sufficient to run our park, and to handle what we are aware of today. But YES, overall, a huge financial strain will be lifted from the community, once the matter is finally and completely resolved. If the small group ends their law suit there is potential for a decrease.

Lot 388 Bill Rinkers- Q2. Also, is there any possibility to counter sue those in the original lawsuit to recoup the money all homeowners have to pay to protect our investments and keep the park open for all? Thank you for your efforts, they are appreciated.

- A. We are advised by our attorney that there is no basis for our Association to recover fees in this kind of case.

Lot 117 Jon Gilmore- Q1. Will you please lower monthly fees during coronavirus challenged times when homeowners may face job layoffs etc.?

- A. See ARTICLE XI. Though lowering dues would be a compassionate action, the cost to maintain the operation of WHP remains intact as normal. People could stay home, and their energy bills would remain low. In a statement released on March 19, Ocean City Mayor Rick Meehan is asking visitors and residents of the seaside resort area to stay home.

Lot 117 Jon Gilmore - Q2. What authority allows WHP to put late fees of \$15.00 plus interest on delinquent accounts?

- A. See ARTICLE XI. If the assessment or charge is not paid when due, it shall bear a late charge and interest in the full amount as provided in the Declaration and/or Bylaws. The interest kicks in once turned over to collections.

Lot 117 Jon Gilmore - Q3. Why was the resale book's price increased from 100.00 to 150.00?

- A. Work, supplies, and time go into this.

Lot 117 Jon Gilmore - Q4. 8-year history shows we don't need: Why should WHP follow the Bureau of Labor Statistics Consumer Price Index?

- A. Inflation affects all aspects of park operations from salary, to stamps, from gas to gravel. CPI was provided as a reference to show that our increases are reasonable.

Lot 117 Jon Gilmore -Q5. What company is doing the Reserve Study - at what cost?

- A. We are reviewing proposals. We budgeted \$8,750.00 under other professional.

Lot 117 Jon Gilmore -Q6. What are (dollar amount) our reserve goals?

- A. \$72,924.00 (On the bottom right corner of the budget you received)

Lot 117 Jon Gilmore - Q7. Why has laundry revenue been (loss of revenue) revised down from 2,500.00 to 2,450.00?

- A. This year, we only made \$2,468.00

Lot 117 Jon Gilmore - Q8. Why has line item "Operations" gone up from 13,300.00 to 19,806.00?

- A. You are looking at last year's budget. It would be more helpful if you took our proposed budget and compared it with the recently posted year to date P&L, that is posted on-line, and shows our financial position as of the end of February 2020. We have spent \$16,372.00 so far this year, and we added meeting expenses for the upcoming year, in case we need to rent space. Postage, printing, and copying have gone up because of the demands on our park, questions, and legal communications that need to be shared.

Lot 131 Sue Gajewski- Q1. I'd like the BOD and Baker and Associates to provide to the members of the White Horse Park community a running tally of charges paid to Mr. Almand. I look forward to your quick response.

- A. Everything that has been paid to Mr. Almand, to date, is recorded on the p&l, which is posted on the website. The purpose of this Q&A is for the Board to hear concerns that it may take under advisement to ensure proper financial planning is intact for the 2020-2021 year. Based on litigation potential, you are correct if you are insinuating that we may not have enough in our plan.

Lot 30 Shirley Skillman- Q1. Since our draft budget proposes \$20,000 for legal fees and \$1,000, was used in the past, I would like to know the reason for such an increase.

- A. WHP is being sued, and our declaration is being challenged. Overall, a huge financial strain will be lifted from the community, once the matter is finally and completely resolved. If the small group ends their law suit there is potential for a decrease.

Lot 30 Shirley Skillman - Q2. I have heard that Melissa uses Mr. Ahlmand as if he is her personal attorney.

- A. One would have to wonder who would have said this to you.

Lot 30 Shirley Skillman- Q3. Therefore, I would like to see the detailed bills for Mr. Ahlmand since this Board has been in their positions.

- A. Melissa was elected and then appointed as Acting President of the Board of Directors for White Horse Park Community Association. The contact person, with Mr. Almand, has historically been the person serving as President for the WHP BOD. The Board relies on Mr. Almand for advice to protect and work in the best interest of the association.

Lot 30 Shirley Skillman- Q4. There are other increases in this budget that I question. Such as the Park Manager's salary being raised from \$42,500 to \$50,000. Who approved that? It seems ridiculous since an accounting firm has been hired to do the financials.

- A. The Board approved the Managers salary. Now that we have professional accountants managing the funds for our multi-million-dollar investment, our Park Manager is able to focus on the management of our park.

Lot 30 Shirley Skillman- Q5. So the Park Manager has less responsibilities, so why give a \$7500 raise?

- A. The park manager is a professional experienced property manager and has more responsibilities than previous managers. The park manager is focused on operations and management not accounting.

Lot 30 Shirley Skillman- Q6. Where does the \$18,000 for housekeeping come from? 2 years ago it was \$4,000.

- A. The past Board eliminated it. When it was 4k, we understand that the work wasn't done efficiently or effectively. Many problems were associated with that arrangement. We are now in the midst of a health crisis. We own in a vacation community, where people visit from all over, and board and management agree that it is our responsibility to keep our community clean and sanitary.

Lot 30 Shirley Skillman- Q7. Why is it costing \$14,000 to do the same thing? What is with this Board raising everything? All of this raises our dues. So we are having to pay \$175 instead of \$135. \$40 more a month. \$480 a year.

- A. This has been a misnomer for years. The monthly payment is made up of two parts- Monthly Assessment (dues) + Utilities (water/sewer, cable, and electric). The utilities are variable and controlled by individual utilities. We signed a 3 year contract with cable to keep the cost steady. The \$175 includes a cable payment of \$25.00 per month. You have the option to pay cable up front, as you always have. If you do, it is \$300.00 due by April 1, and your dues would be \$150- which is actually \$15 higher. It really should only be \$7 higher, because the payment, starting January 1 was supposed to be

\$143.00 per month. There was a miscalculation by our previous manager that threw our numbers off.

Lot 30 Shirley Skillman- Q8. Did it ever dawn on you all that this creates a hardship for a lot of homeowners? Other than to harass and stress us out, what do you do for us??

- A. We are doing our best to preserve our beautiful community in the midst of a costly litigation that is a tremendous strain on our association.

3/22/20

Lot 117 Sandy Morgan- 9. Will the BOD please drop the proposed spending on a Reserve Study? (the topic's controversialness and high financial impact is too extreme to be decided on without face-2-face contact and homeowner opportunity to debate). The Reserve Study was recommended by our auditor. It is seen to be valuable in that it will give us a road map for planning and saving. We own the infrastructure of our community-our electric-our roads-our water system-and it is our responsibility to take care of it. In an open meeting, there isn't an opportunity to debate. Each lot would get one turn to voice concerns [as time allows]. The Board would then take those concerns into consideration when approving the budget. [Your turn would be over, as Jon has already spoken].

The Board is responsible for taking concerns under advisement prior to budget approval. Thank you for sharing your concern with the BOD. More information, from our auditor, will follow.

Lot 117 Sandy Morgan-10. Will the BOD share how a homeowner can attend the phone conference meeting on March 30th? The open portion is now, and we are responding to questions and concerns. At this time, it is planned for Board Members to be present on the call, after hearing the discussion from the community [through the Q&A].

Lot 117 Sandy Morgan-11. Will the BOD please record the phone conference for all interested homeowners to review? There will be minutes posted on the website. Please understand that, in the midst of the health crisis present, and each individual Board Member's availability, we are doing our best to serve our community.

Lot 117 Jon Gilmore-12. Thank for commenting on all of my(recorded)Budget Questions.

Thanks for recognizing our efforts.

Lot 117 Jon Gilmore- 13. Homeowners have been informed that a Reserve Study is the recommendation from the company that did our WHP Audit Report. When reviewing the WHP

Audit Report and BOD Cover Letter 2019[1], I could not find the recommendation. My question is: Q: Please show where that recommendation was made. **Please see the email to Melissa at the end of the round of responses for 3/23/20.**

Note: Reviewing the Audit Report, I was able to find a false statement, " [pdf page #1] "Out of an effort to dispel rumors, the Board will also take this opportunity to state that the Bakers are no a property management company. "

Which brings me to my next question:

Lot 117 Jon Gilmore- 14. [This question speaks to a level of trust that is needed between homeowner and BOD, to feel confident that homeowner money is being used and accounted for wisely and appropriately.]

Q: Why hasn't the BOD publicly admitted to making a false statement to the Association and when informed, refused to act appropriately in ways to fix that issue? **The Bakers are not our property management company. They are providing accounting services to our community. We hired a professional property manager to manage our park.**

Lot 117 Jon Gilmore- 15. Q: Is it appropriate for a board member to make this statement to a homeowner; "That kind of logic rings hollow, follows long standing failed accounting practices, and is confusing." ? **As you can read, throughout the audit report, the previous accounting practices were not efficient or adequate.**

Lot 117 Jon Gilmore 16. Q: Who made that statement? **The Board voted to hire Baker and Associates, our vote was 4-1, because we recognized the need for professional accounting services. All Board members have the opportunity to speak/respond/disagree/agree before Q & A is shared. This document is on behalf of the BOD.**

Lot 117 Jon Gilmore 17- I see:

Building repairs at 3,444.00, went over budget by 2,544.00 [new budget shows 5,000.00] What caused Building repair cost to be so high and what is expected to happen in 2020/2021 to increase last years budget by 4,100.00? **Fire protection services, HVAC (Bathroom and Clubhouse), Kitchen fire extinguisher inspection.**

Lot 117 Jon Gilmore 18- I see:

Grounds repairs at 7,864.00, went over budget by 4,264.00 [new budget shows 10,000.00] What caused Grounds repairs costs to be so high and what is expected to happen in 2020/2021 to require a significant (more than double) increase in the amount budgeted for Grounds repairs? **Boatyard, Marina, Weeds (\$4,500), Topsoil (\$3,000)**

Lot 117 Jon Gilmore 19- I see:

Electrical repairs at 7,237.00 went over budget by 3,637.00 [new budget shows 8,000.00] What caused Electrical repairs to be so high and what is expected to happen in 2020/2021 to require a significant (more than double), increase in the amount budgeted for Electrical? **Pedestal, Camera, Street Lights, Power outage (\$1500) Pool**

Lot 117 Jon Gilmore 20- I see:

Marina expenses at 6,386.00 went over budget by 5,386.00 [new budget shows 2,525.00] What caused Marina Expenses to be so (extremely) high and what is expected to happen in 2020/2021 to require a significant (more than double) increase in the amount budgeted for Marina expenses? Dock Boxes (\$4,500). Many boards need to be replaced. Requires special boards due to moisture and salt.

We have much to maintain. Again, this proves that, as previous manager claimed, he was operating the park on a shoe-string budget. We tried to plan responsibly by considering expenses from the past year and considering increase in cost/service. A solid budget is based on current activity and expectations based on information available.

Lot 117 Jon Gilmore 21- I see:

Delinquencies at 25698.00 looks very high - why is that? Has the office and Mr Almand been processing these delinquent accounts? That is because people aren't paying their bills. The water/sewer miscalculation is responsible for approximately \$900.00 of the debt. Over \$16k is due to foreclosures. Yes, our attorney works for our community. Fortunately, we now have a consistent process in place to account for and pursue money owed to our community.

March 23, 2020

Lot 60 Susan Naplachowski- 1. May I please have a copy of the Monthly financial Reports for Dec 2019 thru March 2020. We included the YTD P&L, and the monthly report for February, on the website.

Lot 60 Susan Naplachowski- 2. I would like the information to reflect the same as the report from Nov 2019 and all previous reports since 2009. This is the style that the board has agreed upon at this point in time.

Lot 60 Sue Naplachowski-3. Please if you are going to change the Monthly Financial Reports please explain what Banks we are using for operations What Banks we are using for reserves and the different accounts. Please also post the interest rate on our reserve funds. Thank you for these suggestions. We will take these into consideration. Interest income is listed on the P&L.

Lot 60 Sue Naplachowski-4 I reviewed the Media Com cable. The bill for people in the park is \$288.75 per year. This is what we should be charged. The BOD is assuming a lot with my money and others monies. I will pay my bill of \$288.75 and not a penny more. That is what my bill is from Media com. We are not sure where your numbers came from. The monthly amount is actually \$24.103225. We also cover the office and the clubhouse. Historically, the Board has rounded up to an even number. As with any windfall, from cable or other, it would be used to fund other shortfalls, including this

year's budget deficit.

Lot 60 Susan Naplachowski-5 The Feb and March Newsletter have the dues going up \$5.00. Now you are requesting \$7.00 this late in the game, when not all people know about your change and no given reason why you changed it?

So what is the dues, I say \$102.00 since its been published twice.

Thanks **The budgets that have been shared were in draft form. There was an explanation. The dues were increased because we realized we needed more money to fund janitorial services (as addressed in previous questions, in budget communications posted on the website, and emailed/mailed out to owners). The due are \$104.00 at this time, and the final decision will come after the Board approves the Budget during it's conference on 3/30/20 after considering community input.**

COMMENT ON BUDGET PLANNING FROM THE PERSPECTIVE OF OUR BOARD AND UNDER THE ADVISEMENT OF BOB BAKER:

While not an exact science, budgets are developed based on overall projected expenses and actual results may vary. The goal is to have dues/fees match those as closely as possible over time while allowing for a contribution to savings for major repairs/replacements.

Reserve Study reasoning provided by our auditor on 3/23/2020. Shared with permission, from our auditor, Matthew Chance, CPA...



Matthew P. Chance, CPA

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Hi Melissa,

As previously discussed, it is good practice to maintain an accurate Future Major Repairs & Replacements schedule. The information to prepare this schedule is generally obtained from a reserve study, which is often performed by a qualified source such as an engineer. The reserve study can potentially be performed by a non-engineer that has adequate prior experience in a field that would make them a reliable source of information. As an accountant, that would not be my area of expertise.

As mentioned, the purpose of the reserve study is to be able to prepare an accurate and adequate Major Repairs & Replacements schedule. The purpose of the Major Repairs & Replacements schedule is to provide the board of directors and management with relevant information to effectively plan for future major repairs and replacements. In order to know how much needs to be assessed each year to cover the current operating expenses and simultaneously build and ensure the reserve is adequate to cover future expenditures by the time it is needed, the Association must have a comprehensive understanding of the current and future needs. Special assessments can also be incorporated along the way, but without proper planning and accumulation of a reserve, then everything would need to be funded by special assessment and could become unbearable or unsustainable to unit owners.

An accurate Future Major Repairs & Replacements schedule (whether through an official reserve study or not) is the prudent and thing for the board to do and is part of the board's due diligence. In addition, Generally Accepted Accounting Principles requires a Future Repairs & Replacements schedule to be included with the financial statements as Required Supplementary Information. Please let me know if you have any further questions.

Thanks,

Matt