

Sovereign Oaks Homeowners Association

2020 Year End Financial Summary

The HOA ended 2020 in solid financial condition with a surplus of income over expenses totaling \$90,566.00. The surplus, which is reserved for future road repair and repaving, now totals \$582,817.35. Income in 2020, primarily from HOA fees, totaled \$192,824.00 for the year, while expenses totaled \$102,258.00. While most expense items came in at or below the level budgeted for the year, HOA legal expenses, totaling \$22,558.92, were substantially above the \$8,000 that had been budgeted for 2020.

As discussed at the Annual Meeting, the HOA dealt with two significant legal issues in 2020. The first was a dispute between the HOA and a builder, WSM Craft, over the timing of the return of a builder deposit. The dispute was settled in an arbitration hearing last fall. All legal fees for this dispute were covered by the HOA's insurance policy and had no direct effect on 2020 expenses.

The second legal issue in 2020 was a dispute between the HOA and the owners of Lot #79 over DRC rulings regarding construction and landscaping at their home site on Wandering Oaks Way. These issues went through mediation where several disputes were resolved, but one issue regarding installation of a fence remained unresolved. This final issue went to arbitration late in November. The arbitrator ruled in the HOA's favor, finding that the DRC "acted reasonably and in good faith" in upholding the Sovereign Oaks Design Guidelines. However, the legal fees for both mediation and arbitration, including preparation and representation, totaled \$18,850.00 in 2020. There are no outstanding legal proceedings in these or any other matters as the year comes to a close, so 2021 legal expenses for the HOA are expected to be in line with the 2021 approved budget (\$10,000).

In light of these unexpected legal expenses, the HOA Board held off on certain other expenditures in 2020 to ensure total spending was held as close as possible to the approved budget. The major expenditure items that were deferred 2020 were needed repair of the Greenhouse roof and paving repairs at the front gate entrance. Both those projects are slated for completion in 2021.

(If interested, members may read the Arbitrator's public six-page opinion [here](#).)