

## SUNBURST RANCH

OWNERS ASSOCIATION

### SUNBURST RANCH OWNERS ASSOCIATION FY2026 YEAR-TO-DATE FINANCIAL REVIEW

*Through May 31, 2026*

#### EXECUTIVE SUMMARY

Through the first five months of FY2026, the Association remains in a sound financial position with strong reserves and minimal owner delinquencies. Year-to-date operations are running approximately \$9,879 behind the budgeted net position, driven primarily by (1) carryover legal fees from late-2025 governance work, (2) elevated sprinkler maintenance on the aging irrigation system, (3) timing of insurance premium payments, and (4) deferred CD interest that will post at CD maturity in August 2026.

The capital reserve balance of \$182,186 represents 125% of the level identified in the 2023 reserve study; monthly reserve transfers are running on auto-pilot, and an updated reserve study is underway.

#### BALANCE SHEET HIGHLIGHTS (AS OF 5/31/2026)

- **Operating cash:** \$146,159 — operating checking, money market, and one operating CD.
- **Reserve cash:** \$182,186 — reserve savings plus twelve CDs at 3.1%, all maturing August 24, 2026.
- **Accounts receivable (homeowner):** \$1,006 — collections remain strong with minimal outstanding balances.
- **Prepaid HOA dues:** \$4,992.
- **Total assets:** \$329,351.

#### OPERATING INCOME

Total income through May 31 of \$42,372 came in within \$295 of the year-to-date budget of \$42,667. Regular assessments are tracking essentially on plan at \$41,200 collected versus \$41,000 budgeted. Operating interest earned is the largest income variance, with \$172 actual against a \$1,667 year-to-date budget — see the timing note under Operating Expense Variances. Late fees (\$280) and a small amount of sales income (\$600) are not separately budgeted and represent incremental favorable income.

#### OPERATING EXPENSE VARIANCES

##### ***Legal fees — over budget by \$4,280 YTD***

Legal fees of \$7,614 year-to-date have nearly consumed the full annual budget of \$8,000 (only \$387 remaining). The variance reflects two drivers. First, several invoices from late 2025 —

mostly board guidance on ARC applications, board conduct, and general governance questions — posted in January 2026, totaling roughly \$5,375 with Bennet Tueller Johnson & Deere. Second, Q1 and Q2 2026 work on issues related to the CC&R rewrite from Smith Knowles (\$1,008) that may be re-coded to Reserve expenses, plus an active matter with Shaw & Lines (\$1,081). Remaining 2026 legal spend should be held tight; the 2027 budget should be set to reflect the realistic volume of governance work, particularly given the CC&R revision in progress.

***Sprinkler system maintenance — over budget by \$3,874 YTD***

Sprinkler maintenance of \$4,541 year-to-date has effectively consumed the annual budget of \$4,000. Costs relate primarily to the spring startup of the irrigation system and the resulting repairs. The system is aging and is requiring more maintenance each season. This is a watch item for the remainder of 2026, and the updated reserve study should evaluate whether continued repair costs warrant planning a reserve-funded system upgrade.

***Common area repair — over budget by \$409 YTD***

Year-to-date spend of \$1,243 against a \$833 YTD budget reflects a \$643 engineering analysis from Summit Geotechnical for the Olympic Way rock wall, plus K&K labor for related work. The full annual budget of \$2,000 remains largely available for the balance of the year.

***Insurance: Directors & Officers — renewal higher than budget***

The full-year D&O premium of \$3,072 was paid in May. The annual budget of \$1,900 reflected prior-year pricing; renewal came in \$1,172 higher. No further D&O premium expense is expected for FY2026. The 2027 budget should be set to the current premium.

***Operating interest earned — timing variance, not a true shortfall***

Operating interest is \$172 year-to-date against a YTD budget of \$1,667. The variance is a timing matter: the operating CD (3.1%, \$20,000 principal) accrues interest that will post at maturity on August 24, 2026. The deferred interest will largely close the budget gap once it posts; all twelve reserve CDs also mature on the same date, generating additional reserve interest at that time.

**Capital Reserve Position**

The capital reserve balance of \$182,186 represents approximately 125% of the level identified in the 2023 reserve study. Reserve interest earned year-to-date is \$771, supplementing the funded balance. Monthly reserve allocations from operations are configured as an automatic recurring transfer, which ensures consistent funding regardless of operational cash timing.

An updated reserve study is currently underway. Results will inform the 2027 budget and any recommended adjustments to the reserve contribution rate or earmarked capital projects, including any consideration of an irrigation system upgrade in light of recent maintenance costs.

### **Watch Items & Recommendations**

- Hold remaining 2026 legal spend tight; budget the 2027 legal line to reflect the realistic volume of governance, CC&R revision, and ARC matters.
- Monitor sprinkler system through summer; if costs continue at this pace, evaluate a reserve-funded system upgrade as part of the updated reserve study.
- Adjust 2027 budget for: D&O insurance at current premium, monthly board meeting facilitation at actual cadence, and any irrigation capital replacement identified by the reserve study.
- Continue automated monthly reserve transfers and complete the updated reserve study prior to the 2027 budget cycle.

*Report Respectfully Prepared by:  
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