THE PRESERVE AT SMITH CREEK HOA: HOMEOWNER FACT SHEET

What the Newly Released 2025 CPA Audit, 2024 Draft Reserve Study & Clubhouse Lease Actually Prove Ahead of the Nov 5 Budget Vote

+$42,067.13	-$35,192.00	-$99,733.59	$0.00
2026 Est. Operating Surplus (Omitted from Budget Sheet)	2025 Audited Operating Loss ($48,407 in Prof./Legal Fees)	True Net Reserve Shortfall ($12,481 Worse Than Claimed)	2026 & 2027 Budgeted Reserve Contribution (Line 43-4300-01)

1. SIDE-BY-SIDE COMPARISON: BOARD CLAIMS VS. OFFICIAL AUDITED RECORDS

Topic	What Summary Notices Claimed	What the Official CPA Audit, Reserve Study & Lease Prove
2025 Reserve Funding vs. Lawsuit Excuse	**Claimed 2025 reserve funding *"was not conducted due to the legal actions taken by a member."* (Oct 18 Notice)**	**FALSE (Audit Pages 4 & 5): Homeowners funded $35,612 into Reserves in 2025 ($29,488 assessments + $4,800 rent + $1,324 interest)! Reserve bank cash rose by +$22,215 (to $180,768) while $13,397 repaid a prior interfund loan.**
2025 Operating Deficit & $48,407 Legal Spend	Claimed *"the audit has confirmed the Preserve Finances are in order..."* (Oct 18 Notice)	**-$35,192 OPERATING LOSS (Audit Page 4):** Operating revenue was $116,387 vs. $151,579 in operating expenses—driven by **$48,407 in Professional/Legal Fees (41.6% of total operating income!)**.
2024 Financial Statements Restated	**Claimed *"...and that our books were and are properly maintained."* (Oct 18 Notice)**	**-$132,675 RESTATEMENT (Audit Page 1 & Note 6, Page 9): CPA firm had to restate 2024 beginning equity downward by -$132,675 after 6 consecutive years of failing to follow mandatory GAAP rules (ASC 606).**
May 2026 Balance Sheet Loan Erasure	Claimed Reserve equity was $180,768.44 (+interest = $182,408.41) & shortfall was $87,252.59. (Oct 20 Notice)	**OVERSTATED BY $12,481 (Audit Page 3):** In May 2026, a $17,281.25 interfund loan was erased on CINC books. Audit Page 3 proves **$12,481** of Reserve cash is still owed back to Operating (`Due to operating fund: $12,481`), leaving net Reserves of **$168,287** ($99,733.59 true shortfall!).
32-Month Concealed "DRAFT" Giles Study	**Cited Giles Engineering Report ($269,661 benchmark) to justify a 9.59% dues hike ($730 to $800/yr).**	**WITHHELD 32 MONTHS (Giles App. A, pp. 1, 4–5, 11–13): Dated Feb 20, 2024 & stamped DRAFT (while old 2019 study was uploaded in Aug 2025). Prior management told Giles the HOA contributed $50,000/yr; Giles recommended $56,243–$59,000 in 2027, yet the budget allocates $0.00 and skips $40,019 in 2026 repairs! ($269,661 is 2025 YE; 2026 YE is $283,836–$293,040).**
Clubhouse Commercial Sales Office Lease	Proposes raising homeowner dues **9.59% (+$70/yr)** while raising commercial lease **4.17% (+ $16.67/mo)**.	**100% FREE UTILITIES FOR DEVELOPER (Lease §§ 5, 6, 8, 9):** Developer pays $400/mo ($0 deposit) to market Preserve West homes while **HOA pays 100% of electricity, gas, water, HVAC, taxes, insurance, phone & internet free of charge!** Admits 2023 rent ($4,200) wasn't agreed to be paid until Aug/Sept 2024.

2. RECONSTRUCTION OF THE OMITTED "TOTAL" ROWS ON THE 2027 BUDGET SPREADSHEET

Budget Spreadsheet Category (Spreadsheet 2A)	2026 Approved	2026 YE Estimate	2027 Projected	Key Takeaway for Homeowners
TOTAL REVENUE (Row Omitted on Notice)	**$152,612.00**	**$150,488.00**	**$168,552.00**	**2027 adds $14,140 from 202 existing homes + only $1,600 (2 lots) from 50+ Preserve West lots!**
TOTAL OPERATING EXPENSES (Row Omitted)	**$117,039.00**	**$108,420.87**	**$141,094.00**	**2026 expenses ran $8,618 UNDER budget; 2027 doubles Legal Expense from $10k to $20k (+$10,000)!**
UNALLOCATED OPERATING CASH SURPLUS	**+$35,573.00**	**+$42,067.13**	**+$27,458.00**	**2026 has a +$42,067.13 surplus BEFORE any dues hike! 2027 bloat shrinks surplus to $27,458.**
43-4300-01 Reserve Contribution Line	**$0.00**	**$0.00**	**$0.00**	**$0.00 budgeted for Reserves across all 3 columns despite citing Reserve shortfall to hike dues!**

WHAT IS STILL BEING WITHHELD TONIGHT (STATUTORY DEFAULT UNDER N.C.G.S. §§ 47F-3-118 & 55A-16-02):
In its Oct 18 notice, the Board admitted the CPA firm issued *"recommendations for improvements"* (referenced on Page 2 of the Audit as internal control findings). Despite a formal 5-business-day statutory demand that expired yesterday (Oct 28 at 5:00 PM), **the CPA Management Letter is still being withheld from homeowners!**

SIDE 2: SEVEN QUESTIONS FOR THE RECORD & HOW TO REJECT THE BUDGET

Read These 7 Questions Aloud at the Oct 29 & Nov 5 Meetings and Demand Direct Answers From the Board

SEVEN QUESTIONS EVERY HOMEOWNER SHOULD DEMAND BE ANSWERED ON THE RECORD

1. **False 2025 Reserve Claim vs. -$35,192 Loss (Audit Pages 1, 4, 5 & 9):**
   *"In the October 18 Audit Update, homeowners were told that 2025 reserve funding 'was not conducted due to the legal actions taken by a member.' Yet Pages 4 and 5 of the CPA Audit prove homeowners DID fund **$35,612** into the Replacement Fund in 2025 ($29,488 in assessments, $4,800 in rent, and $1,324 in interest) and Reserve bank cash increased by **+$22,215**, while the Operating Fund ran a **-$35,192 deficit** after spending **$48,407 on Professional Fees (41.6% of operating revenue)**. Why were homeowners told reserves were not funded in 2025 while concealing a $35,192 operating loss and a -$132,675 GAAP restatement of 2024?"*
2. **The May 2026 Balance Sheet Loan Erasure & Understated Shortfall (Audit Page 3):**
   *"Page 3 of the Audited Balance Sheet certifies that as of December 31, 2025, **$12,481** of the $180,768 sitting in the Replacement Fund bank account is a debt owed back to the Operating Fund ('Due to operating fund: $12,481'), leaving a net Reserve balance of only **$168,287**. Why was that interfund loan deleted on the May 2026 monthly balance sheet without repayment to inflate Reserve Retained Earnings to $180,768.44—and why was that inflated figure used in the October 20 budget notice to understate our true reserve shortfall by $12,481 ($99,733.59 true shortfall vs. $87,252.59 claimed)?"*
3. **32-Month Concealment of the Feb 20, 2024 "DRAFT" Giles Study (Giles App. A, Pages 1, 4–5, 11–13):**
   *"The Giles Reserve Study uploaded on October 28 (6 MB) is dated February 20, 2024 and stamped 'DRAFT FOR REVIEW PURPOSES ONLY.' Why was this February 2024 study withheld from homeowners for 32 months—while the outdated 2019 Reserve Study (2 MB) was uploaded to the portal in August 2025 instead—and why cite this draft study to raise dues by $70 while ignoring its recommendation to contribute **$56,243 to $59,000** to Reserves in 2027 (budgeting **$0.00** on Line 43-4300-01), misreading the 2025 year-end balance ($269,661) as the 2026 benchmark ($283,836–$293,040), and skipping **$40,019** in scheduled 2026 reserve repairs?"*
4. **Withheld CPA Management Letter on Internal Control Deficiencies (Audit Page 2):**
   "In the October 18 notice, the Board admitted the CPA audit includes 'recommendations for improvements' regarding financial operations, which Page 2 of the Audit identifies as the CPA firm's communication of 'significant audit findings, and certain internal control related matters.' Why was the CPA Management Letter withheld past the October 28 statutory deadline in violation of N.C.G.S. §§ 47F-3-118 and 55A-16-02, and will the Board post that Management Letter tonight?"
5. **Omitted Budget Totals, Hidden $42,067.13 Surplus, Doubling Legal Fees to $20,000 & Missing $9,000 Audit Fee:**
   *"Why were the 'Total Income' and 'Total Expense' rows omitted from the 2027 Budget Spreadsheet—hiding an estimated **$42,067.13 operating surplus** in 2026 ($150,488.00 income vs. $108,420.87 expenses)—why is **70.7% of our dues increase** going to double Legal Expense from $10,000 to $20,000 when 2026 legal spending is estimated at just $5,283.94, and why is the $9,000.00 CPA audit fee completely missing from the 2026 Year-End Estimate?"*
6. **The Clubhouse Commercial Sales Office Lease ($400/Mo with 100% Free Utilities, Taxes & Insurance):**
   "The 2024 Clubhouse Lease with the commercial Developer (signed in Aug/Sept 2024 and admitting in Section 5 that 2023 rent of $4,200 wasn't paid until late 2024) gives the Developer an office and conference room to market Preserve West homes for $400/month with $0 deposit, while Sections 8, 9, and 10 force existing homeowners to pay 100% of all electricity, gas, water, HVAC, internet, insurance, and taxes free of charge. Why raise homeowner dues by 9.59% (+$70/yr) while raising the Developer's rent by just 4.17% (+$16.67/month)—and why was the $4,800 rent booked to Reserves in the 2025 Audit but shifted to Operating in the 2027 Budget?"
7. **Preserve West Voting Dilution (50+ Annexed Lots vs. Only 2 Lots Paying Dues in 2027):**
   "Why were 50+ Preserve West lots annexed now—inflating the 51% voting threshold required for homeowners to reject the budget on November 5—while the 2027 budget collects assessments from only TWO Preserve West lots ($1,600.00 total), forcing existing homeowners to pay 99% of the Association's dues ($161,600)?"

INSTANT REBUTTALS IF THE BOARD TRIES TO SPIN THE NUMBERS TONIGHT

- **If they claim "Our $27,458 unallocated surplus at the end of 2027 will go to Reserves":** Point out that their own spreadsheet shows a **+$42,067.13 surplus in 2026 BEFORE any dues increase**—and by bloating 2027 operating and legal expenses by +$32,673, they are actually *shrinking* the surplus down to $27,458 (less than half of the $56,243–$59,000 Giles says is required in 2027)!
- **If they claim "Page 4 of the Audit shows $0 Total Revenue in the Replacement Fund":** Point to the 4 lines right above Total Revenue on Page 4 proving **$35,612** ($29,488 assessments + $4,800 rent + $1,324 interest) was funded into Replacement Fund `Contract liabilities` under GAAP ASC 606 (raising net Reserves from $132,675 to $168,287 and Reserve bank cash by +$22,215 on Page 5)!

HOW TO PROTECT OUR COMMUNITY ON THURSDAY, NOVEMBER 5 AT 6:30 PM (BUDGET RATIFICATION VOTE):
1. **Download & Share All Source Documents:** Visit **www.thepreservessmithcreek.com** to view the full Audit, Reserve Study, Lease, and Dossier.
2. **Attend or Send Your Proxy for Nov 5 at 6:30 PM:** Under N.C.G.S. § 47F-3-103(c), homeowners can reject the 2027 budget hike at the November 5 ratification meeting. If you cannot attend in person on Nov 5, give your signed proxy to a trusted neighbor who will vote **NO**!