

Budgets

This is the format we use. The budget format and proper expression of budget numbers is specified by Florida Statute. Associations have been fined for not conveying the information other than in the format that is being provided to you now. The format used by Vanguard Management Group is acceptable per statute in addition to providing consistency and in theory ease of understanding.

██████ CREEK, INC.
APPROVED BUDGET
JANUARY 1, 2007- DECEMBER 31, 2007

96 UNITS

	ACCT #	ACCT NAME	2007 ASSESSMENTS		PER UNIT	
			MONTHLY	YEARLY	MONTHLY	YEARLY
INCOME:						
OWNER ASSMNT	3030	OWNER ASSMNTS	10,728	128,732	112	1341
	3120	COLLECTION FEES	117	1,404	1	15
	TOTAL		10,845	130,136	113	1356
EXPENSES:						
GROUNDS	6105	LAWN SERV	1,048	12,581	11	131
	6115	LANDSCAPING	104	1,250	1	13
	6120	IRRIGATION MAINT	100	1,200	1	13
	6127	ENTRY,WALL, FENCE	50	600	1	6
	6155	JANITORIAL - GROUNDS	542	6,500	6	68
RECREATION MAINT	6205	RECREATION BLDG.	42	500	0	5
REPAIRS/ MAINT.	6305	COMMON AREA MAINTENANCE	42	500	0	5
	6310	PAVEMENT R&M	42	500	0	5
	6520	LIAB/PROP INSURANCE	231	2,775	2	29
	6525	LEGAL/COLLECTION	250	3,000	3	31
	6530	LIC,FEES,TAXES	5	65	0	1
	6540	PROF FEES	17	200	0	2
	6545	MISCELLANEOUS	117	1,400	1	15
	6555	UNCOLLECTABLE ACCTS	150	1,800	2	19
UTILITIES	6705	ELECTRIC	248	2,970	3	31
	6710	WATER & SEWER	5,019	60,228	52	627
	6715	TRASH	693	8,316	7	87
	6735	LIFT STATION	50	600	1	6
ADMINIST	6801	BANK CHG/COUPONS	42	500	0	5
	6802	LATE FEES PAID OUT	117	1,400	1	15
	6805	ADMIN-POSTAGE- OFF	206	2,475	2	26
	6810	MGT FEE / ACCTING	921	11,056	10	115
TOTAL EXPENSES			10,035	120,416	105	1254
RESERVES:	9700	DEFERRED MAINT	810	9,720	8	101
TOTAL RESERVES			810	9,720	8	101
TOTAL BUDGET			10,845	130,136	113	1356

2007 MONTHLY ASSESSMENTS ARE \$113.00

Budgets

Budgeting can pretty much be as simple as you can make it. The easiest way to budget is to make notes on your mid-year profit and loss statement. This gives you a six month average. All that you have to do is write in amounts that you want your budget line item changed to. See the illustration below. You are expected to foot note line items utilizing the following categories:

Current contract & discussion with service provider

Historical or historical costs increased by inflation

Management's best estimate

Professional opinion of service provider (insurance, possible legal costs, etc.)

THE REMAINDER OF THIS PAGE CONTAINS HIGHLY CLASSIFIED BUDGETING IDEOLOGY, METHODOLOGY, IDIOTOLOGY, AND ALGORITHMS. IF YOU CANNOT SEE THEM, THEN YOU DO NOT NEED TO. PLEASE CONTINUE TO THE NEXT PAGE.

Homeowners Assoc., Inc
Income/Expense Statement
 Period: 01/01 /07 to 01 /31 /07

Actual	Current Period Budget	Variance	Account	Description	Actual	Year-To-Date Budget	Variance	Yearly Budget
INCOME:								
.00	11,629.67	(11,629.67)	03030	Owner Assessments	139,556.00	93,037.36	46,518.64	139,556.04
.00	.00	.00	03110	Gate Transmitter Income	50.00	.00	50.00	.00
10.34	.00	10.34	03130	Interest Income - Operating	91.17	.00	91.17	.00
<u>10.34</u>	<u>11,629.67</u>	<u>(11,619.33)</u>		Subtotal Income	<u>139,697.17</u>	<u>93,037.36</u>	<u>46,659.81</u>	<u>139,556.04</u>

EXPENSES

(1,560.00) L

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Grounds Maintenance								
4,210.00	3,850.00	(360.00)	06105	Grounds Maint/Contract	(1) 32,360.00	30,800.0	W/R~	
.00	333.33	333.33	06115	Plants/Sod	3,200.00	2,666.64	(533.36)	4,000.00
.00	250.00	250.00	06117	Tot Lot Maint & Irrig/Util.	(5) .00	2,000.00	2,000.00	5 b ' 0 3;989.90
.00 545.00	166.66	166.66	06120	Irrigation Maintenance/Repai	(1) 795.75	1,333.28	537.53	2,000.00
.00 3,000.00	515.00	(30.00)	06125	Aquatic Services	(1) 4,240.00	4,120.00	(120.00)	6 t8Qy00
.00	83.33	83.33	06126	Reed removal-19 Ponds	.00	666.64	666.64	1,000.00
472.05	500.00	(2,500.00)	06127	Entrance-Sign/Wall Maint	8,574.97	4,000.00	(4,574.97)	6,000.00
220.00	125.00	125.00	06128	Remote Gate Opener Expense	(5) 1,182.35	1,000.00	(182.35)	
.00	350.00	(122.05)	06129	Entry Gate Maintenance/Repai	(5) 1,141.95	2,800.00	1,658.05	
.00	150.00	(70.00)	06130	Monthly Light/Wiring Misc.	(5) 413.89	1,200.00	786.11	1,800.00
.00	208.33	208.33	06132	Exp/Fencing	.00	1,666.64	1,666.64	2,500.00
<u>8,447.05</u>	<u>6,531.65</u>	<u>(1,915.40)</u>		Grounds Maintenance	<u>51,908.91</u>	<u>52,253.20</u>	<u>344.29</u>	<u>78,380.00</u>

Misc. Repairs & Services								
447.26	208.33	(238.93)	06520	Property & Liability Insuran	(4) 2,584.16	1,666.64	(917.52)	GO) 2 5586.0
.00	41.66	41.66	06525	Legal & Collections	90.00	333.28	243.28	500.00
.00	40.00	40.00	06530	CPA Review	340.00	320.00	(20.00)	480.00
.00	30.00	30.00	06540	Licenses, Taxes, Fees	.00	240.00	240.00	360.00
.00	6.25	6.25	06541	Annual Corporate Report	.00	50.00	50.00	75.00
.00	41.66	41.66	06542	Professional Fees	240.00	333.28	93.28	500.00
.00	205.91	205.91	06545	Miscellaneous Expenses	(5) 966.00	1,647.28	681.28	4 Q • 4 471'06-
<u>447.26</u>	<u>573.81</u>	<u>126.55</u>		Misc. Repairs & Service	<u>4,220.16</u>	<u>4,590.48</u>	<u>370.32</u>	<u>6,886.00</u>

Utilities Expense								
329.39	177.00	(152.39)	06705	Electricity	(3) 1,966.64	1,416.00	(550.64)	G o _2,12408---
112.18	105.00	(7.18)	06707	Telephone	(3) 880.88	840.00	(40.88)	UO 1 60 50'''
3,442.89	2,166.66	(1,276.23)	06710	Street Lighting	16,269.13	17,333.28	1,064.15	26,000.00
<u>3,884.46</u>	<u>2,448.66</u>	<u>(1,435.80)</u>		Utilities Expense	<u>19,116.65</u>	<u>19,589.28</u>	<u>472.63</u>	<u>29,384.00</u>

Administrative Expense								
(30.00)	.00	; 30.00	06801	Bank & Check Charges	(30.00)	.00	30.00	.00

(1) PER CONTRACT
 (2) HISTORICAL
 (3) HISTORICAL INCR BY INFLATION
 (4) PROFESSIONAL OPINION
 (5) MANAGERMENTS BEST ESTIMATE

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Budgets and Detailed Footnotes:

There are times when additional information is needed to better explain budget items. Good footnotes save confusion, questions and as a result, your time. They are also a big help when looking back during budget season each year. When detailed footnotes are called for, such as the examples below, the manager is required to type the footnotes. First we cover budget footnotes, then reserve footnotes. The following footnotes are examples:

**Estates H.O.A.
Jan 1, 2006- Dec 31, 2006
Proposed Budget Notes**

Budget Footnotes to Expense Line Items

Simple Footnotes:

Following this paragraph are detailed actual footnotes. However simple footnotes are acceptable generally and certainly as supplemental. Here are examples of the most simple footnotes that you can use:

- Historical Usage/Costs
- Historical increased for inflation
- Management's best estimate
- Professional Opinion
- Actual Contract

Detailed Footnotes:

6105 – Earthscapes is paid \$ 1350.00 per month for basic lawn services not including extra services like irrigation, mulching, etc. Earthscapes confirmed the contract amount will not increase. **(Actual Contract)**

6110 - You presently budget \$ 100.00 for a landscape fertilization program although the contract with the provider was cancelled. If there were no plans to use a fertilization program then I would budget zero for this category.

6260 – Sunshine Pool Service has historically been charging \$ 450.00 per month for basic pool service. I am going to propose budgeting \$ 465.00 for 2006.

6265 – You budget \$ 200 per month for pool repairs over and above normal pool service. So far in 2005 you have been lucky with no expenditures. I propose lowering to \$ 150.00 per month.

6305 – You presently budget \$ 800.00 per month for building maintenance expenses. Your year to date average is \$ 743.00 in expenses per month. I propose budgeting \$ 750.00 per month for 2006.

6520 – Your insurance company is Nationwide and your policy is good to 5/1/06. The premium is \$ 5003.02. I know of two insurance claims made since I have been manager. I heard there was a wall claim about three years ago identical to our latest accident. I propose budgeting \$ 6000.00, which comes to about a 20% increase. Discussions with your insurance agent bear this out. **(Professional Opinion)**

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6525 – So far in 2005 you are slightly over budget for legal expenses. I am going to propose keeping the same budget number as 2005.

6530 – The Florida Legislature has enacted new laws regarding homeowner associations dealing with financial disclosure. In brief, homeowner associations now have the same requirements as condominiums with regards to audits, reviews and compilations. Because your annual revenues exceed \$ 100,000 you will have to provide the membership a compilation. I propose budgeting \$ 1200.00 for the CPA to do your compilation and \$ 240.00 to do your tax returns.

6535 – You are under budget so far this year for recreational function expenses. Using year to date average estimating, I propose lowering to \$ 175.00 per month.

6540 – I propose raising the budget a few dollars to \$ 25.00 per month for government related fees, licenses, etc.

6545 – You did not budget in 2005 for miscellaneous expenses however there has been expenses in 2005. This is where we account for expenses that don't fit in the other categories. I propose budgeting \$ 500 for the year.

6705 – You are slightly over budget for electricity costs in 2005. I propose increasing this category \$ 20.00 per month to \$ 720.00 per month.

6710 – You are under budget so far this year for water and sewer charges. I propose lowering the budget number by \$ 25.00 to \$ 275.00 per month. **(Historical)**

6720 – You are over budget for pool guard costs in 2005. Using 2005 as a benchmark, I propose increasing the budget for this line item to \$ 395.00 per month. **(Management's Best Estimate)**

6725 – Budgeting for bad debt or uncollectible assessments is difficult to predict. Using 2005 as a guide, I propose lowering this line item to \$ 108.00 per month.

6801 – I recommend keeping the same amount of \$ 166.00 per month, which is the cost, the bank charges to produce your assessment coupons for the 390+ homes.

6805 – I recommend increasing the administrative costs line item to \$ 480 per month based on year to date averages.

6810 – Our management contract calls for a .0500 cost of living increase each year. We would appreciate your approval of this.

6815 – Your budget number for newsletter costs are in line so I recommend keeping the same funding at \$ 120.00 per month.

Reserves

Budgeting reserves can be most time confusing. If your Board has its way, most will have you running about calling paving companies for the streets, paint contractors for bids to base those reserves upon and roofing contractors for "what if" scenarios. This is certainly one way to compute reserves but it is not the right way. The right way is to get a reserve study. This is a contract with a professional who evaluates the replacement costs and lives of the various assets that statute or your documents require the

Budgets

Board to reserve for. We use a number of companies that do a good job for our associations. The costs range from \$2000 - \$5000.

Referencing the schedule below, you may find the following helpful.

Asset or Reserve Item:

- **FS 718 - Condo** – Paving, Painting, Roofing and anything over 10K.
 - Gates, lift station, marcite, decking, possibly fence or wall
 - Pool assets such as marcite and decking can be combined and will drive the cost to over 10K. So often these assets are viewed separately to fall under the 10K rule
- **FS 720 – HOA, Town Home, etc.**
 - Reserves are not required by law
 - Reserves may be used for any purpose the Board desires regardless of the category
 - Documents may specify reserve requirement

Estimated Replacement Cost

While we encourage a reserve study, most Boards will not go for it. Without one though, getting these replacement costs is difficult. Maybe they will pay a specialist for a set of specs and then the estimate. If you are blessed with measurements such as SF or SY say for asphalt, or squares for roofing, then you can call your vendors and ask them to ball park the current per yard or per square prices. Then do the multiplication. This will not take into account roof decking and rot or soffits and fascia. This will not take into account any subsurface work or repairs to asphalt. It is better than nothing. If you just don't know, then use the previous numbers for this category. You can also rely on the experiences of other managers. Ask around, has anyone done a deck, or marcite, or a tennis court – this will give you a fair ball park. However, it is not up to you to call around and get bids. It is unethical to expect a vendor to utilize extensive time without pay. Plus they have been tire-kicked so much, they will typically blow you off with a lowball price with hopes you will call them back.

Estimated Useful and Estimated Remaining Life

Most useful life numbers are estimates based upon the manufacturer or service providers say so. Useful life really has little meaning. Remaining life is what decides the amount of funding. It is pretty easy and obvious when most assets are ready to wear out in a year or three. Much longer than that you need a reserve study. Most Boards do not reserve enough for painting and roofing – painting does not last 7 years in Florida unless it is an elastomeric. Roofing shingles are good for 15 years regardless of the warranty – after that, who knows. This is why you need a reserve study. The experts know how to gauge the useful remaining life.

Funded Balance

The amount that goes here is what you anticipate having on hand the first day of the new budget year, not the last day of the old budget year. If you figure your budget based upon midyear numbers, you will have to increase this amount for each reserve for the unfunded remainder of the year. If you spend something later from reserves – oh well.... The budget meeting, is to approve or modify and then approve the proposed budget.

Monthly and Yearly Columns:

The amount shown in these columns are the amounts that will be transferred from operating to reserves each month. Therefore, the expense side of your budget must also reflect these numbers.

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POA RESERVE ANALYSIS JANUARY 1, 2005 - DECEMBER 31, 2005

		EST REPLAC	EST USEFUL	EST REMAIN	UNDED BAL	2005	PER
		COST	LIFE	LIFE	1/1/2005	ASSESS	MONTH
2705	PAINT/SID	12,265	5	5	1,521	2,146	179
2710	PAVING R	50,434	15	6	28,732	3,612	301
2715	ROOFING	6,500	20	20	3,274	161	13
2723	TENNIS C	15,000	5	5	6,449	1,710	143
2725	POOL PUM	3,000	4	2	834	1,083	90
2727	POOL REN	30,000	15	1	26,880	3,120	260
2730	CLUBHOU	10,000	3	3	0	3,333	278
2732	SPRINKLE	6,000	5	5	1,838	832	69
2735	SINKHOLE	43,533	1	1	43,533	0	0
	FENCING	1,000	10	1	0	1,000	83
	CONTING	1,200	1	1	0	1,200	100
TOTAL					113,061	18,198	1,517

The Reserve Schedule is a formula and typically requires more detail in footnotes.

POA, INC.
PROPOSED BUDGET
JANUARY 01 – DECEMBER 31, 2005
FOOTNOTES TO RESERVES

2705 - Painting Reserves: I recommend combining with Clubhouse Renovation and not funding in 2004 unless BOD generates a plan of action to see if more funds are needed.

Have current bid from Gold Seal Roofing on 9/20/04 for \$12,265 for clubhouse repairs/painting.

2710 / 2711 - Paving Reserves: Current asphalt sealing prices out at .60 per sq yard, 1" overlay prices out at \$5 per sq yd. 9,983 sq yd based on Parking Area Maint. bid of 7/01 and recent info from vendors

2715 - Roofing Reserves: reference RL Matthews bid of 10/02 for \$5000 adjusted for inflation and hurricanes

Fencing Reserves: based on bid from Wintergreen Construction 12/00 for \$7700 to repaint existing fence, policy will be to paint, not replace, zero funded, Board anticipates to fund from insurance settlement

2727-1 - South Pool Marcite: We have 4 bids for 2004:

2727-2 - North Pool Marcite: Zero funded, \$30000 est. cost to replace, per Kath Butler. She is referencing the resurfacing at RT Village POA, as the pool is similar in size and composition.

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2732 - Sprinkler System: This is a contingency reserve not required by law. Possible expenses: Timer replacement bid of \$2904 from Aqua Pro 10/02. 2 irrigation pumps, 1 pump replacement cost \$1635 in 2004 from Tropical Lawn.

2723 - Tennis Court Reserves: \$15,000 Estimated cost to replace one court per 7/02 bid from Parking Area Maintenance. In the mid 90's we were getting bids for overlays which had not been done, now the courts need complete restoration. 2nd court is expected to be paid for with insurance recover from sinkhole funds.

We insert this comment on all reserve schedules that are not based upon a current reserve study. *These numbers are management's best estimates based upon the above criteria. It is strongly recommended that the Board do a professional reserve study to ensure that reserves are fully funded.*

Budgeting can be that simple as shown above where you just write in your budget numbers. However, if you would like an excel spreadsheet of what we mailed to the owners for the previous budget year, you are welcome to one. *However, accounting will use only the numbers that you enter into the data line. Accounting will not verify, refer to or utilize your formulas, column totals and maintenance fee computations.* We know our formulas and sheets are correct and do not have the resources to check yours. It is amazing what some of us (Bob included) can do to a budget sheet.

If you would like to work with the excel version of the budget as shown on page 1 of this primer, ask your supervisor for the location of these files. When you submit your budget on the excel spreadsheet, please attach an adding machine tape agreeing with the total of expenses per budget.

Workflow of the Budget Process:

You are to provide the budget information to your supervisor. Your supervisor being familiar with your community will review your proposals with an eye toward the reality of your proposed budget expense and reserve items. Your draft will then be forwarded to accounting.

When accounting is done creating a current budget based upon the information you provided, it is your responsibility to check the accuracy of the expense items entered by accounting before providing a proposed copy to your Board (who should also check the reports). It is critical that you compare our completed budget to any proposed budgets provided to the Board for their advance review.

If you find accounting using an incorrectly formulated worksheet, bring it to your supervisors attention and tell them Bob says we owe you a **free lunch** for your much appreciated contribution.

Your proposed budget and tape if provided will be returned to you with the completed budget from accounting.

Very Important...Reserve Pitfalls!!

[Screwing with Reserves.XLS](#)

Also printed and attached.