

## EXAMPLE OF A BAD BUDGET

	2015-2016 APPROVED		2016-2017 PROPOSED		Average Per Unit Per Month
	MONTHLY	ANNUAL	MONTHLY	ANNUAL	
<b>OPERATING INCOME</b>					
Association Dues	22,902	274,824	22,901	274,816	50.67
Operating Interest	-	-	-	-	-
Late Fees	-	-	-	-	-
Keys/Fobs	-	-	-	-	-
Miscellaneous Income	-	-	-	-	-
Total Operating Income	22,902	274,824	22,901	274,816	50.67
<b>OPERATING EXPENSES</b>					
<b>**UTILITIES</b>					
Electricity	708	8,500	708	8,500	1.57
Gas	625	7,500	625	7,500	1.38
Telephone	350	4,200	167	2,000	0.37
Water/Sewer-Irrigatn	583	7,000	458	5,500	1.01
Total Utility Expense	2,267	27,200	1,958	23,500	4.33
<b>**ADMINISTRATIVE</b>					
Management Fee	2,448	29,376	2,548	30,576	5.64
Office/Postage/Print	667	8,000	625	7,500	1.38
Legal	333	4,000	417	5,000	0.92
Audit/Tax Prep	58	690	87	1,040	0.19
Uncollectible Accts	-	-	-	-	-
Holiday Decorations	375	4,500	333	4,000	0.74
Social Expense	500	6,000	292	3,500	0.65
Total Administrative Expense	4,381	52,566	4,301	51,616	9.52
<b>**BUILDING SERVICES</b>					
Grounds Contract	3,750	45,000	2,617	31,400	5.79
Grounds Maintenance	2,500	30,000	3,750	45,000	8.30
Irrigation Rep/Maint	1,167	14,000	1,083	13,000	2.40
Contingency	256	3,070	-	-	-
Insurance	649	7,788	707	8,488	1.56
Total Building Services Expense	8,322	99,858	8,157	97,888	18.05
<b>**REPAIRS &amp; MAINTENANCE</b>					
Repairs/Maintenance	542	6,500	918	11,012	2.03
Pool Maintenance	1,683	20,200	1,708	20,500	3.78
Pool Repairs	833	10,000	1,083	13,000	2.40
Pool Supplies	1,167	14,000	1,000	12,000	2.21
Total Repairs Maintenance	4,225	50,700	4,709	56,512	10.42
Total Operating Expenses	19,194	230,324	19,126	229,516	42.31
NOI/(L) Before Reserve Funding	3,708	44,500	3,775	45,300	8.35
<b>**RESERVE FUNDING</b>					
Deposit to Reserves	3,708	44,500	3,775	45,300	8.35
-	-	-	-	-	-
-	-	-	-	-	-
Total Reserve Funding	3,708	44,500	3,775	45,300	8.35
Net Operating Income / (loss)	-	-	0	-	0.00
Total Expenditures				274,816	

# EXAMPLE OF A GOOD BUDGET

Prepared by Omega Management, Inc.  
November 2015

Page 1 of 4

## OMEGA VILLAGE HOMEOWNERS ASSOCIATION 2016 ANNUAL BUDGET

<u>ACCT</u>	<u>DESCRIPTION</u>	<u>ACTUAL</u> <u>10-MONTH</u>	<u>BUDGET</u> <u>2015</u>	<u>BUDGET</u> <u>2016</u>	<u>Budget</u> <u>%</u>	<u>LINE ITEM DOCUMENTATION</u>
<u>EXPENSES</u>						
<u>6300</u>	<u>ADMINISTRATIVE EXPENSES</u>					
6311	Office Supplies	1,878	1,800	1,980	1.1%	Mailing handling charges, printing, postage, and copying costs for Annual Meeting Notice, Newsletters, Budget, monthly board packets, Corporate Record Book, and miscellaneous supplies, based on historical expense.
6320	Management Fee	13,700	16,485	16,665	9.3%	For services in areas of financial, maintenance supervision, and administration. Current monthly fee is \$1,385/month, with 1% increase to \$1,400/month at October 1 renewal.
6340	Legal Expense	396	600	480	0.3%	Allowance for legal services outside of collection activities which are a Homeowner chargeback. General legal opinions, etc. and collection activities which are uncollectable.
6350	Audit Expense	1,630	1,630	1,660	0.9%	Estimated cost to prepare audit and income taxes.
6370	Bad Debts	-	-	-	0.0%	Allowance for instances where the Association is unable to collect from the Homeowner and foreclosure is not an option. No allowance made.
6390	Misc. Administrative	210	180	600	0.3%	Provides for items not included elsewhere, including banking and investment service charges, meeting room rentals, etc. Material storage = \$120; meeting minutes = \$360; misc allowance = \$120.
<u>SUBTOTAL ADMINISTRATIV</u>		<u>17,814</u>	<u>20,695</u>	<u>21,385</u>	<u>12.0%</u>	
<u>6500</u>	<u>MAINTENANCE EXPENSES</u>					
6519	Exterminating Contract	-	300	240	0.1%	Allowance for exterior pest control treatments.
6525	Rubbish Removal	6,918	7,300	7,600	4.3%	Trash and recycling service provided by Randy's at new rate of \$7.09/unit for trash hauling. Trash is charged 9.75% State Tax and 9% Hennepin County Tax. There are also Fuel/Environmental fees added and is determined by current fuel pricing; presently 27.0% additional. 2016 budget is based on current rates and fuel fee will average 28%. Recycling is handled by the City of Plymouth.

OMEGA VILLAGE HOMEOWNERS ASSOCIATION  
2016  
ANNUAL BUDGET

<u>ACCT</u>	<u>DESCRIPTION</u>	<u>ACTUAL 10-MONTH</u>	<u>BUDGET 2015</u>	<u>BUDGET 2016</u>	<u>Budget %</u>	<u>LINE ITEM DOCUMENTATION</u>
6537	Grounds Contract	22,679	27,200	28,100	15.7%	Contract with Matt's Lawn Service for 2015-17 is \$2,250/mo. The contract includes: Spring Cleanup, Summer Maintenance, Fall Cleanup, shrub trimming, and turf fertilization & weed control. Trigger point for plowing and shoveling is 1.5". Tax applies to summer services.
6539	Grounds Improvements	1,230	1,500	1,300	0.7%	Discretionary for projects to be determined by the Board of Directors. Specific project identified for 2016 to add dry river bed = \$1,300.
6542	Repairs Contract	731	2,400	1,800	1.0%	Miscellaneous building repairs based on historical expenses.
6548	Snow Removal	-	240	240	0.1%	Allowance for salt/sand mix and moving snow piles during normal year's snowfall. See #6537 for routine contracted services. Based on historical expense.
6554	Parking/Drives Maintenance	-	-	-	0.0%	Sealcoating completed 2014, no allowance for additional repairs at this time. Major repairs and replacements funded out of reserves.
6555	Roof/Gutter Maintenance	1,895	2,100	2,280	1.3%	Repair allowance based on historical expenses = \$1,280; gutter cleaning twice annually = \$1,000, increased from just once per year.
6590	Misc. Maintenance Expense	350	2,400	3,600	2.0%	Provision for any special project maintenance items not covered elsewhere, primarily non-recurring items. Allowance for Sandjacking of remaining Priority 1 items = \$3,600. 2015 expense was for Sandjacking.
6591	Misc. Grounds Expense	190	2,400	2,400	1.3%	Allowance for miscellaneous grounds maintenance items such as shrub replacement, turf repairs, etc.
6592	Tree Maintenance	14,794	9,000	12,500	7.0%	General tree maintenance including routine & emergency pruning, removals, and preventive treatments. Specific allowances made in 2016 for the following: tree pruning & selective removal = \$5,960; apple scab = \$600; pest prevention = \$2,166; tree treatments = \$1,656; monument sign enhancements = \$1,265.

OMEGA VILLAGE HOMEOWNERS ASSOCIATION  
2016  
ANNUAL BUDGET

<u>ACCT</u>	<u>DESCRIPTION</u>	<u>ACTUAL</u> <u>10-MONTH</u>	<u>BUDGET</u> <u>2015</u>	<u>BUDGET</u> <u>2016</u>	<u>Budget</u> <u>%</u>	<u>LINE ITEM DOCUMENTATION</u>
	<u>SUBTOTAL MAINTENANCE</u>	48,787	54,840	60,060	33.7%	
<u>6700</u>	<u>TAXES AND INSURANCE</u>					
6715	Income Taxes	-	-	-	0.0%	After allowable deductions do not anticipate a taxable income.
6720	Property/Liability Insurance	18,541	24,000	25,400	14.2%	Package policy with Harleysville provides \$13,004,794 in coverage with 125% replacement cost, and \$2,000,000 in general liability Current premium is \$24,487 @ \$5,000 deductible & 2% hail/wind deductible. Allowance for 5% increase at March 1 renewal.
6721	Crime Policy	561	600	600	0.3%	Crime insurance from Chubb provides \$100,000 in coverage for volunteers and management company. Current premium is \$561, allowance for 5% increase at 3/1/16 renewal.
6722	Workers' Compensation	192	180	180	0.1%	Minimal annual premium based on no wages paid.
6724	D & O Liability	893	900	900	0.5%	D&O insurance from Chubb provides \$1,000,000 liability coverage for Directors and Officers, other Association volunteers, and managing agent. current premium is \$893, allowance for 5% increase at 3/1/16 renewal.
6728	Ins. Deductible Amount	-	-	-	0.0%	Allowance for occurrences where the Association pays a portion of the deductible. None anticipated.
	<u>SUBTOTAL TAXES/INSUR.</u>	20,187	25,680	27,080	15.2%	
	TOTAL OPERATING EXP.	86,788	101,215	108,525	60.8%	
	CONTINGENCY FUND	-	3,017	3,086	1.7%	Established at 3% of Total Operating Expense, to cover unexpected costs or significant cost overruns.
	ANNUAL OPER. BUDGET	86,788	104,232	111,611	62.6%	
	APPROPRIATION TO RESERVES	46,609	60,732	66,805	37.4%	Funds set aside for major repair/replacement of Capital improvements. No representation is made as to the adequacy of this amount.
	<u>TOTAL ANNUAL BUDGET</u>	133,397	164,964	178,416	100.0%	

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2016  
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<u>ACCT</u>	<u>DESCRIPTION</u>	<u>ACTUAL</u> <u>10-MONTH</u>	<u>BUDGET</u> <u>2015</u>	<u>BUDGET</u> <u>2016</u>	<u>Budget</u> <u>%</u>	<u>LINE ITEM DOCUMENTATION</u>
		<u>INCOME</u>				
<u>5100</u>	<u>ASSESSMENT INCOME</u>					
5120	Monthly Assessment	109,976	164,964	178,416	100.0%	Presently \$243/unit/month, an increase to \$252 is needed to fund the Association's Operating Budget.
<u>SUBTOTAL ASSMT. INCOMI</u>		<u>129,976</u>	<u>164,964</u>	<u>178,416</u>	<u>100.0%</u>	
<u>5400</u>	<u>INVESTMENT INCOME</u>					
5410	Int. Income-Oper. Fund	0	-	-	0.0%	Not a reliable source of income. Do not include for budgeting purposes.
5440	Int. Income-Repl. Reserve	13	-	-	0.0%	Any funds earned will be retained in the Replacement Reserve Fund to offset the effect of inflation on future replacement costs.
<u>SUBTOTAL INVESTMENT IN</u>		<u>13</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>	
<u>5900</u>	<u>OTHER INCOME</u>					
5920	Late Charges	570	-	-	0.0%	Not a reliable source of income. Do not include for budgeting purposes.
5950	Fines	200	-	-	0.0%	Not a reliable source of income. Do not include for budgeting purposes.
5990	Miscellaneous Income	-	-	-	0.0%	Not a reliable source of income. Do not include for budgeting purposes.
<u>SUBTOTAL OTHER INCOME</u>		<u>770</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>	
<u>GRAND TOTAL INCOME</u>		<u>130,759</u>	<u>164,964</u>	<u>178,416</u>	<u>100.0%</u>	