

# Budgeting Process

for

Homeowner Associations

ACNA Meeting, Jan 25, 2018

# Overview

- New or Existing Associations
- Plan and Set up for the Year
- Monitoring
- Maintenance
- Auditing
- Reporting

# New Association

- Collect Information from All Sources
  - Developer; Other Associations; ACNA
  - Income Estimate
  - Expense Categories, Contractors and Estimates
  - Priorities
  - Schedules
    - Dues; Invite Bids & Select; Pay Bills
- Agree on Process
- Prepare Budget for the Year
- Plan for Savings
  - Contingencies; Deferred Items
  - Big Ticket Items

# Existing Association

- Not Much Different but Have an Historical/Experience Base
- Call on Past Board Members
- Size Matters
  - Number of Homeowners
    - Dues collection may be onerous
  - Amount of Dues
    - Directors' responsibility increase
    - Insurance requirements

# Typical Expense Categories

- Electrical Bills
- Landscape Maintenance
- Pond Maintenance
- Snow removal
- Repairs: Lights, Signs, Roads, Common Areas
- Other Maintenance: Tree Removal
- Insurance, Auditor
- Minor Items: Bank, Mailing, Office Supplies

# Primary Activities

- Budget projection
  - Income from dues
  - Estimates for electrical bills
  - Bids and selection of services
  - Contingencies
- Review/Update Budget During Year
- Collect Dues
- Write Checks
- Maintain Records
- Compare Against History
- Reserve and Savings for Big Items

# My Personal Experience

- Developer Provided Some Help
- Some Members Had Prior Experience
- Original Dues Were Unrealistically Low
- Covenant-allowed Annual Increase Insufficient
- Some Homeowners Including Board Members Pre-paid Dues to Cover Bills at Year-end
- Dues Raised by Homeowner Vote (2/3 required by Covenant)

# Monthly Summary Report Example

To Whom	For What	Jan			Feb			Mar			Apr			Year-to-Date	Year-to-Go	
		Date	Ck #	Amount	Date	Ck #	Amount	Date	Ck #	Amount	Date	Ck #	Amount			
EXPENSES																
Electrical	AEP	Street Lights	18	805	20.35	6	809	21.16	10	815	20.91	7	819	20.91	133.86	
	AEP	Pond Pumps	29	807	138.56	24	811	120.29	23	817	122.05	28	822	120.14	552.18	
	AEP	Entry Lights	29	808	59.41	24	812	36.76	23	816	35.31	28	821	35.20	200.24	
					218.32			178.21			178.27			176.25	886.28	2127.07
Lawn	"Lawn"	Xmas Lights	18	806	85.00										85.00	85.00
Snow	"Plow"	Snow Plough				6	810	1000.00	10	814	1000.00				2000.00	1000.00
Mow	"Mow"	Mow & Fert														2276.00
Pond	"Ponds"	Chemicals										7	818	3648.70	3648.70	3648.70
		Pump Rebuild													269.76	
Supplies	"Depot"	Printer Ink				27	813	17.11				24	820	12.82	29.93	50.00
SBS CPA	Auditor	Tax Forms &c													300.00	
Bank	Charge		2		2.00	2		2.00	2		2.00	1		2.00	8.00	16.00
Total Expenses					305.32			1197.32			1180.27			3839.77	7796.67	8629.77
DEPOSITS		Dues	29		6380.00	9		11600.00	27		580.00	9		580.00		
						17		4060.00				13		500.00		
						24		3480.00								
					6380.00			19140.00			580.00			1080.00	27180.00	33060.00
ChkBk Bal at EOM		18814.43			24889.11			42831.79			42231.52			39471.75		
Cancelled Checks													825			
To be Deposited														1740.00		
To be Collected														4140.00		



# Auditing & Reporting

- Self-Auditing/Hire Auditor
- Reporting to Homeowners
- IRS Filing