

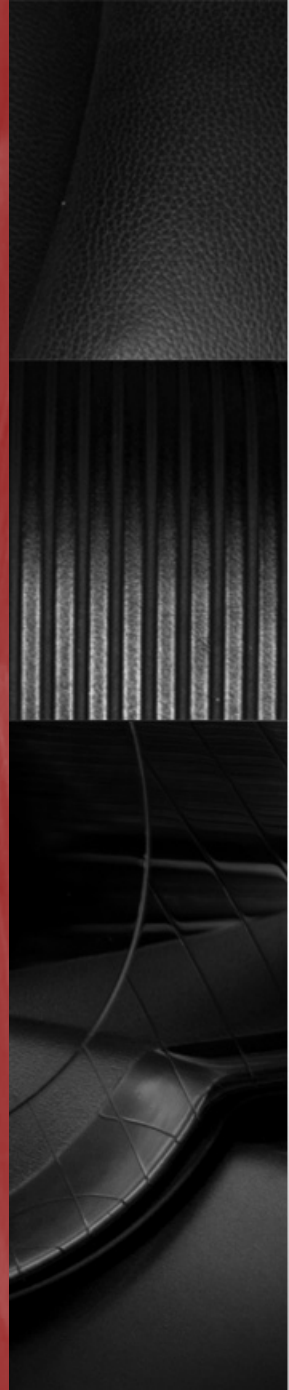
*C.I.A. Services, Inc.*

# The Super-Budgeting<sup>®</sup> Process

**part of the**

**C.I.A. Services Seminar Series**

**for board members and community volunteers**





# Agenda

- Welcome & introductions
- The questions
- What is super-budgeting
- Understanding the concept of funds
- Super-budget calculations
- Components of the super budget package
- The answers



# The Questions

Every Board member should be able to easily answer two simple questions from homeowners:

- **What is the right assessment for our community?**
- **How much money should we have in the bank?**

When we are done today, you will be able to accurately and confidently answer those questions. You'll also know how to project those answers five or ten years into the future.

The process is called “Super-Budgeting”.



# What is Super-Budgeting<sup>®</sup>

- Comprehensive financial evaluation of the association
- Incorporates a short and long term business plan
- Provides an extended look forward with reasonable forecasts
- Produces a well documented package to assist in management throughout the year
- Prevents erratic changes in assessments over time and avoids the need for special assessments

# About the Word Reserves



- “Reserves” is one of the most misused and confusing words in budgeting and financial management
- It is a proper generic term signifying funds set aside, or reserved, for a particular future purpose
- The problem is that people have different things in mind when they hear and use the word:
  - Is it everything we have in the bank?
  - Is it the money we have in case the clubhouse burns down?
  - Is it the amount we have accumulated for the new playground?
  - Is it what we’ve put aside for a rainy day?
- We will discuss funds that are reserved for specific purposes but this is the last time we will use the word “reserves”



# Super-Budget Funds

- Operating Fund – for fluctuations in routine operating revenues or expenses relative to budget
  - Lower collection rate, higher utility bills
- Replacement Fund – for replacing or maintaining major physical assets
  - Replace clubhouse roof, resurface swimming pool
- Capital Fund – for new assets that don't exist now
  - Build a new playground, add an entry monument
- Special Purpose Funds – typically a subset of one of the above funds but held for a special purpose
  - Funds from a special road assessment, donations for tree planting project



# Operating Fund

- The purpose of this fund is to protect against fluctuations in budgeted revenues or expenses
- In the 1980's there were major reductions in Association revenues streams as the economy faltered and some owners lost their homes and others could not pay their assessments
- At the same time, expenses rose greatly as inflation reached double-digits
- Normal assessment increases capped at 3%, 5% or 10% were not able to keep up
- We generally recommend 25% to 75% of the annual operating expenses as the ideal operating fund level depending on the type and size of community



## Operating Fund - Examples

- Most DRs limit assessment increases so limit ability to increase revenues
- Interest on investments have plummeted since 2000
- Hearthstone & Kirkmont section II – cable franchise fees disappeared when 1970's agreements expired
- Electricity costs rose over 20% in 2001, stabilized and dropped slightly in 2002/2003 and jumped again by 2004 – all within a flat economy
- Quail Bridge & Pine Forest Village – board addressed security needs by adding security patrols
- Treehouse Condominiums – rash of internal leaks from aging piping resulting in excessive plumbing and sheetrock repairs



## Replacement Fund

- The purpose of this fund is to pay for the predictable costs of maintaining and replacing major assets of the community
- If we plan to repaint our common area fences every five years at a cost of \$20,000 then we need to put \$4,000 into the fund every year
- We do not typically put funds aside for low dollar items with unpredictable lives (e.g. pool pumps)
- We do not typically put funds aside for items with very short lives (e.g. power-washing clubhouse) or very long lives (e.g. brick columns)
- The ideal replacement fund balance is calculated through a “reserve analysis”



## Replacement Fund - Examples

- Sugarwood – replastered swimming pool and replaced chain link fence with ornamental iron
- Bridlewood Estates – cleaned, repaired and repainted perimeter ranch style fences
- Colony Grant – replaced original 25 year old lake fountain with a new floating model
- Hearthstone Meadows – replaced malfunctioning gate operating system including underground loops and phone lines
- Townewest – added crushed granite to jogging trail
- University Place Townhomes – reroofed every building over a three year period



## Capital Fund

- The purpose of this fund is to pay for new community assets
- If we want to build a new \$40,000 playground in 4 years then we need to put aside \$10,000 each year to meet our goal
- Getting a loan for a capital project is just a variation – instead of accumulating the funds in advance and then doing the project, we do the project and then pay back the loan plus interest
- The ideal capital fund balance is based on the capital project plan – how many years do we have to accumulate how many dollars



## Capital Fund - Examples

- The Highlands – replaced common area fences around community entries with brick walls – added brick columns
- Vicksburg – assumed responsibility for the fences along the boulevards and replaced all of them
- Quail Run – built a large clubhouse and recreation center for the community
- Colony Grant – added shade covers, fans and lights around the perimeter of the lap pool deck
- West Airport – constructed monuments on South Gessner to delineate boundaries of the community and beautify area
- Settlers Park – covered pool deck concrete with a durable, textured concrete surface

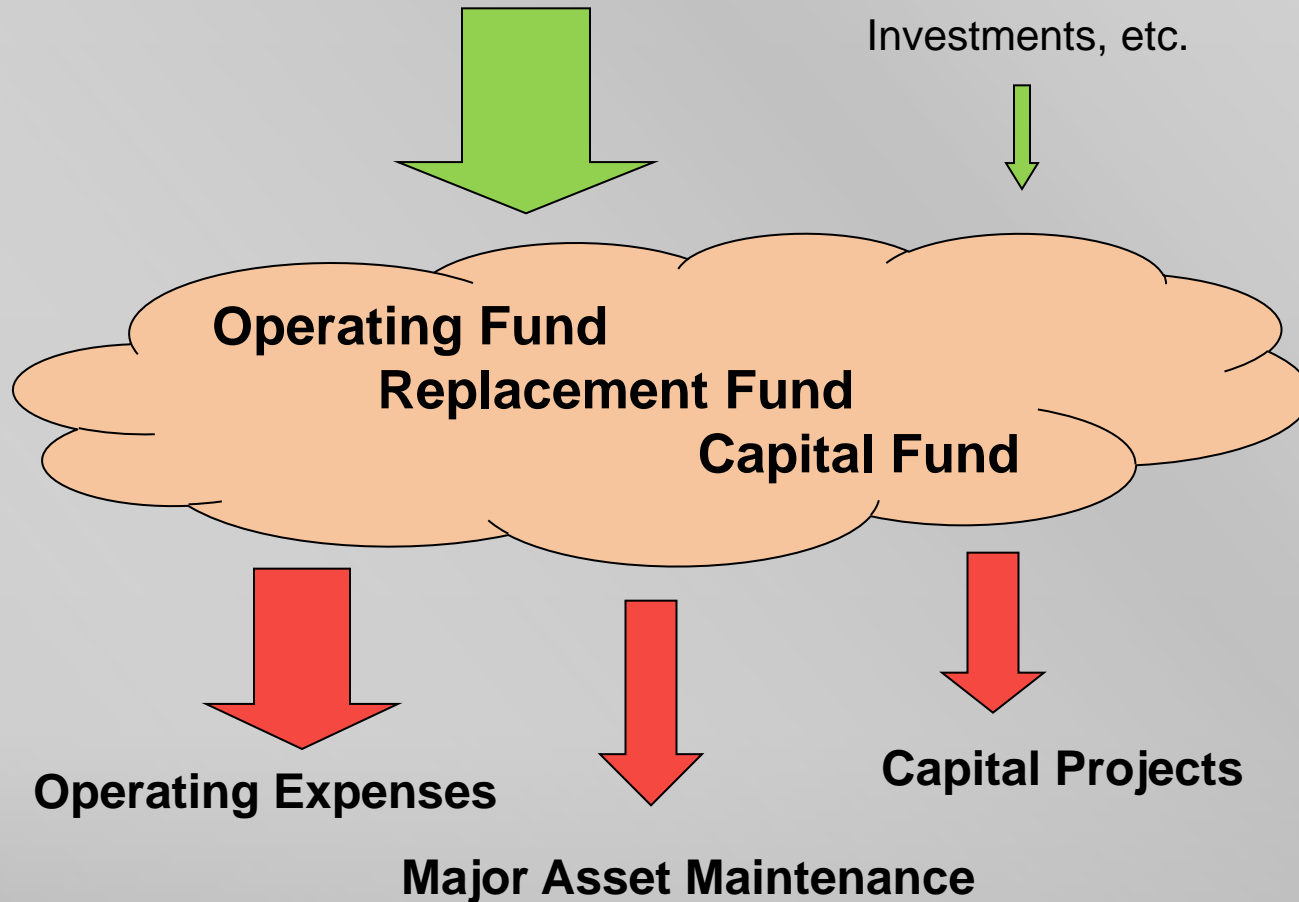


## Special Purpose Funds - Examples

- Valley Lodge – levied a special assessment for road repairs in 2002 and had a small amount left over after work was done – the extra is set aside and is being held for future road repairs
- Treehouse Condominiums – many years ago a cash settlement was provided by the developer over construction defects – the initial problems were repaired but the majority of funds were set aside to make repairs as problems arise
- Crestwater – a group of homeowners donated funds to the association for planting trees – the funds were set aside and combined with association funds to do the project
- Southglen Village – donations and fund raisers were used to build a new playground sooner than planned – the association set the funds aside until the playground was built

# Where Does the Money Come From

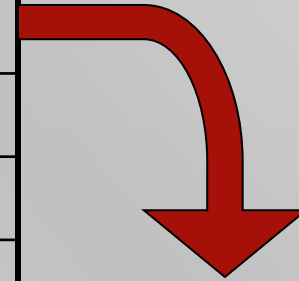
## Assessments



# Operating Fund Ideal Balance

- The ideal Operating Fund balance is a percent of normal operating expenses

Total Revenues	\$220,000
Total Operating Expenses	\$180,000
Net Revenues After Operations	\$40,000
Allocation to Replacement Fund	\$13,000
Allocation to Capital Fund	\$24,000
Allocation of Operating Fund	\$3,000



times 30%

equals \$54,000

Ideal Operating Fund balance

The Super-Budget model calculates this allocation based on how far each fund is from the ideal value.

# Reserve Analysis

Sample from 2015 Budget

Asset	Last Repair Year	Useful Life	Next Repair Year	Current Replacement Cost	Accumulated Balance as of 12/31/2014	2015 Contribution
Pool plaster	2010	8	2018	\$24,000	\$12,000	\$3,000
Clubhouse roof	2007	15	2022	\$6,000	\$2,800	\$400
Boulevard fence replacement	2012	18	2030	\$108,000	\$12,000	\$6,000
Boulevard fence painting	2012	5	2017	\$9,600	\$3,840	\$1,920
<b>Totals</b>				<b>\$147,600</b>	<b>\$30,640</b>	<b>\$11,320</b>

# Capital Project Plan

Sample from 2015 Budget

Project	Added to Capital Project Plan	Project Ground Breaking	Estimated Project Cost	Accumulated Balance as of 12/31/2014	2015 Contribution
Install monument at 2 <sup>nd</sup> entry	2011	2016	\$20,000	\$16,000	\$4,000
Install 1/3 mile jogging trail	2013	2018	\$36,000	\$14,400	\$7,200
Install exercise stations	2013	2019	\$14,000	\$4,667	\$2,333
Install pavilion with park equipment	2013	2021	\$30,000	\$7,500	\$3,750
<b>Totals</b>			<b>\$100,000</b>	<b>\$42,567</b>	<b>\$17,283</b>



# Alternative Financing

- There are alternatives for financing operations, replacement projects or capital projects:
  - Special assessment
  - Bank loan
  - Borrow from other funds
- Ultimately, all financing will eventually come from the property owners (to pay the special assessment, to repay the loan or to replenish the internal funds)
- Alternative financing simply changes the timing of cash flows and makes a small difference in the cost
- It could be argued that replacement expenditures should come from accumulated funds and capital projects from loans

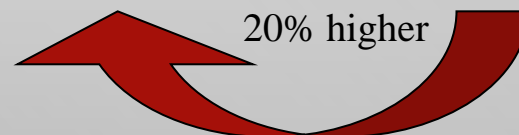
# Alternative Financing - Example

- Scenario: a \$100,000 playground – build it now with a bank loan or build it in 5 years after we’ve accumulated the funds
- The table below shows the project comparison

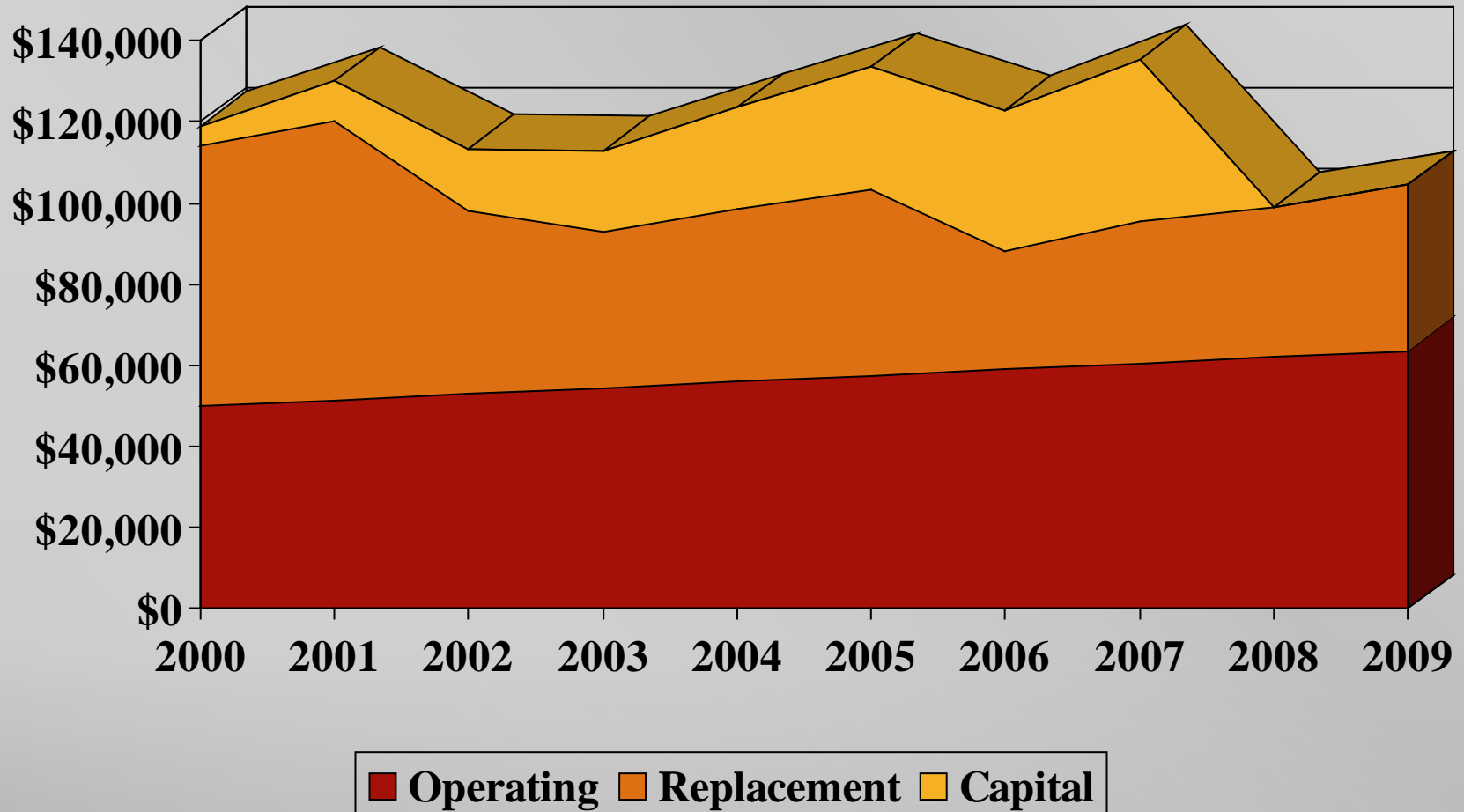
## Bank Loan

## Capital Fund

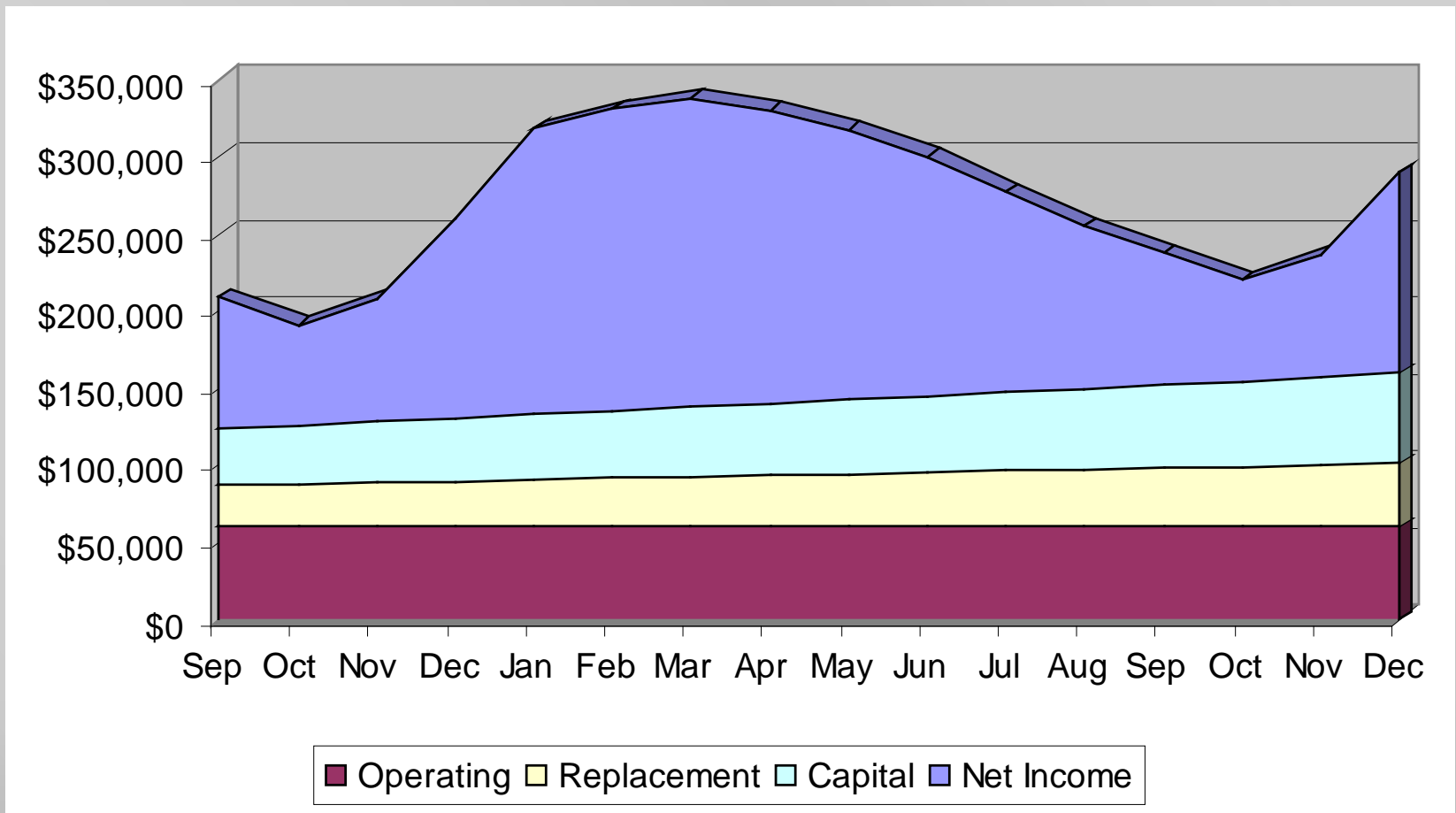
Construction year	2015	2020	Construction year
Construction cost	\$100,000	\$113,141	Construction cost (at 2½% inflation)
Total principal payments	\$100,000	\$103,450	Fund contributions
Total interest on loan (at 9%)	\$24,550	\$9,691	Interest on funds (at 3%)
Total 5 year cost	\$124,550	\$113,141	Total 5 year accumulation
\$/year from assessments	\$24,910	\$20,690	\$/year from assessments



# Fund Trends



# Cash in Bank versus Fund Balance



# Funds on the Balance Sheet

<b><u>LIABILITIES AND EQUITY</u></b>		<b><u>05/31/04</u></b>	<b><u>06/30/04</u></b>	<b><u>07/31/04</u></b>
<b>ACCOUNTS PAYABLE</b>				
2010	A/P - ACCOUNTS PAYABLE	0.00	0.00	0.00
2199	A/P - C.I.A. SERVICES	603.70	358.37	659.81
2410	ASSESSMENT OVERPAYMENTS	221.67	472.28	727.32
2420	ASSESSMENTS PAID IN ADVANCE	0.00	0.00	0.00
		<u>825.37</u>	<u>830.65</u>	<u>1,387.13</u>
<b>DEFERRED REVENUES</b>				
2400	UNCOLLECTED ASSESSMENTS	24,970.24	22,359.28	19,819.97
		<u>24,970.24</u>	<u>22,359.28</u>	<u>19,819.97</u>
<b>FUND BALANCE</b>				
3100	OPERATING FUND BALANCE	18,769.38	18,769.38	18,769.38
3200	REPLACEMENT FUND BALANCE	2,083.35	2,500.02	2,916.69
3250	CURRENT REPLACEMENT PROJECTS	0.00	0.00	0.00
3300	CAPITAL FUND BALANCE	20,833.35	25,000.02	29,166.69
3350	CURRENT CAPITAL PROJECTS	( 1,000.00)	( 1,000.00)	( 1,000.00)
----	CURRENT YEAR NET INCOME	60,797.32	46,480.64	25,556.07
		<u>101,483.40</u>	<u>91,750.06</u>	<u>75,408.83</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>127,279.01</b>	<b>114,939.99</b>	<b>96,615.93</b>

# Cash on the Balance Sheet

<b><u>ASSETS</u></b>		<b><u>05/31/04</u></b>	<b><u>06/30/04</u></b>	<b><u>07/31/04</u></b>
<b>CURRENT ASSETS</b>				
1010	PETTY CASH - Treasurer	150.00	150.00	150.00
1021	CHECKING - Southern National	5,651.33	2,799.51	1,976.16
1025	LOCKBOX - Southern National	10,458.69	3,382.81	2,731.74
1028	MONEY FUND - M Stanley 0.56%	15,109.26	15,129.08	5,133.24
1060	MONEY FUND - Sm Barney 0.62%	5,930.24	5,932.56	66,077.38
1070	MONEY FUND - Legg Mason 0.59%	4,787.58	4,714.47	0.12
1130	CD - SM Barney 07/21/04 0.95%	60,000.00	60,000.00	0.00
		<u>102,087.10</u>	<u>92,108.43</u>	<u>76,068.64</u>

Notice the total "cash" is similar to but not equal to the total Fund Balance from the previous slide

<u>101,483.40</u>	<u>91,750.06</u>	<u>75,408.83</u>
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# Super-Budget Documentation

- Cover memo
- Assumptions
- Operating budget
- Replacement budget
- Capital budget
- Fund balance projections
- Asset schedule (reserve analysis)
- Fund balance projections (graph)
- Assessment projections (graph)
- Budget notes

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## Memo

**Date:** November 9, 2011  
**To:** DBPOA Board of Directors  
**From:** Ralph A. Troiano  
**Subject:** 2012 Budget - Approved

Draft or Approved

Attached please find the 2012 Budget approved at the 11/08/11 board meeting.

This budget is based on **four important assumptions** described in more detail below. (1) The 3<sup>rd</sup> amendment passed on 11/8/11. (2) The Association will have no obligation relative to the existing clubhouse facility. (3) The Association will purchase lot 186 and build full recreational facilities there. (4) No financial impact is considered for the 78 acres and no additional land is shown to be annexed into the Association.

The following **exhibits** are included in this package:

List of Exhibits

- Exhibit A – Assumptions
- Exhibit B – Operating Budget
- Exhibit C – Replacement Budget
- Exhibit D – Capital Budget
- Exhibit E – Fund Balance Projections
- Exhibit F – Asset Schedule
- Exhibit G – Fund Balance Projections Graph
- Exhibit H – Assessment Projections Graph
- Exhibit I – Budget Notes

The budget is based on a **\$480.00 assessment** for 2012. This is the same assessment as 2008 through 2011. The long term projections with all the assumptions described here indicate that the current assessment level will be adequate for many years.

Major considerations

The main source of **revenue growth** will be from lots paying partial assessments converting to full assessment. Under the 3<sup>rd</sup> amendment, owners with 1 or 2 lots pay the full assessment on each lot; owners with 3 to 14 lots pay a 67% assessment on each lot; and owners with 15 or more lots pay 50% assessment on each lot. This model assumes that 30 TLF6 lots will convert to higher billing rates each year. Based on this pace, TLF6 would sell its last lots in 2019.

Regarding **recreational amenities**, this budget assumes that the Association will have no financial obligation relative to the existing clubhouse currently owned by Community National Bank. It does assume that replacement recreational facilities will be provided. Specifically, it is

# The Stable Gate Homeowners Association

## Exhibit A - Assumptions

	2011	2012	2013	2014	2015	2016	2017	2018
	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>	<u>OUTLOOK</u>	<u>BUDGET</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>
<b>ASSUMPTIONS</b>								
Maintenance Assessment Increase over Prior Year	\$813.00 0%	\$894.30 10%	\$894.30 0%	\$894.30 0%	\$894.30 0%	\$956.90 7%	\$956.90 0%	\$956.90 0%
Collection Rate	99.1%	99.4%	99.6%	98.0%	98.0%	98.0%	98.0%	98.0%
Total Lots	230	230	230	230	230	230	230	230
Expense Inflation	3%	3%	3%	3%	3%	3%	3%	3%

Historical

Expected ending for this year

Proposed budget

Future forecasts

# Community Association of the Highlands

## Exhibit B - Operating Budget

	2010	2011	2012	2013	2014	2015	2016	2017	2018
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Outlook</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
<b>REVENUES</b>									
4010	Assessments - Current Year	361,486	360,886	378,832	378,884	393,100	391,929	391,929	391,929
4020	Assessments - Prior Years	4,972	5,552	4,413	3,163	7,500	2,969	2,969	2,969
4040	Interest - Assessments	2,683	2,660	1,394	1,834	1,400	1,200	1,200	1,200
4041	Interest - Investments	2,338	2,438	660	709	1,000	2,425	3,104	3,505
4050	Clubhouse Rental	2,025	2,530	3,800	1,555	3,000	3,000	3,000	3,000
4055	Tax Exemption Refunds	0	4,730	0	0	0	0	0	0
4070	Cable Lawsuit Settlement	0	0	0	0	0	0	0	0
4090	Miscellaneous Revenue	345	110	230	255	0	0	0	0
	<b>TOTAL REVENUES</b>	<b>373,848</b>	<b>378,906</b>	<b>389,329</b>	<b>386,400</b>	<b>406,000</b>	<b>401,523</b>	<b>402,202</b>	<b>402,109</b>
<b>EXPENSES</b>									
<b>Services</b>									
6110	Management Services	41,040	41,040	45,240	45,240	45,240	46,597	47,995	50,918
6125	Office Fees Recovered	(5,676)	(4,820)	(5,032)	(6,554)	(5,000)	(5,150)	(5,305)	(5,628)
6150	Accounting Services	1,800	2,200	900	1,350	1,400	1,442	1,485	1,576
6160	Tax Exemption Services	0	0	0	0	0	0	0	0
6142	Corporate Legal Fees	379	1,019	4,058	1,195	5,200	5,356	5,517	5,853
6144	Billable Legal Fees	17,408	14,122	15,909	38,260	35,000	36,050	37,132	39,393
6146	Legal Fees Recovered	(17,076)	(13,014)	(7,881)	(12,892)	(17,500)	(27,038)	(27,849)	(29,545)
	<b>Subtotal</b>	<b>37,876</b>	<b>40,547</b>	<b>53,194</b>	<b>66,600</b>	<b>64,340</b>	<b>57,258</b>	<b>58,975</b>	<b>62,567</b>
<b>Committees</b>									
6220	Newsletter Committee	2,079	2,134	3,979	2,805	5,100	5,253	5,411	5,740
6230	Recreation Committee	1,914	1,905	1,761	835	2,000	2,060	2,122	2,251
6260	Crime Watch Committee	610	200	269	150	450	464	477	506
6290	Citizenship Committee		67	43	139	100	103	106	113
6250	Beautification Committee	450	0	231	350	450	464	477	506
	<b>Subtotal</b>	<b>5,054</b>	<b>4,306</b>	<b>6,283</b>	<b>4,279</b>	<b>8,100</b>	<b>8,343</b>	<b>8,593</b>	<b>9,117</b>
<b>Pool Operation</b>									
6310	Pool Operation & Management	78,461	79,486	81,905	74,589	83,000	85,490	88,055	93,417
6320	Pool Supplies	2,870	2,658	5,801	1,025	5,000	5,150	5,305	5,628
6330	Pool Maintenance	5,841	9,991	3,052	4,490	10,000	10,300	10,609	11,255
	<b>Subtotal</b>	<b>87,172</b>	<b>92,136</b>	<b>90,758</b>	<b>80,104</b>	<b>98,000</b>	<b>100,940</b>	<b>103,968</b>	<b>110,300</b>
<b>Utilities</b>									
6420	Electricity	19,392	15,182	17,587	15,757	18,100	18,643	19,202	20,372
6400	ESP Royalties	(136)	(103)	(76)	(29)	(30)	(31)	(32)	(34)
6430	Water-Sewer	10,663	15,606	21,293	20,352	16,000	16,480	16,974	18,008
6440	Telephone	1,831	2,378	2,497	2,626	2,700	2,781	2,864	3,039
	<b>Subtotal</b>	<b>31,750</b>	<b>33,063</b>	<b>41,302</b>	<b>38,706</b>	<b>36,770</b>	<b>37,873</b>	<b>39,009</b>	<b>41,385</b>

# Riverpark on the Brazos Property Owners Association

## Exhibit C - Replacements Budget

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	<u>BUDGET</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>FORECAST</u>	<u>BUDGET</u>
<b>CONTRIBUTIONS</b>										
Allocation from Assessments	472,391	213,160	238,565	194,469	196,098	168,472	145,345	120,980	92,021	121,272
<b>TOTAL CONTRIBUTIONS</b>	472,391	213,160	238,565	194,469	196,098	168,472	145,345	120,980	92,021	121,272
<b>EXPENDITURES</b>										
<b>BUILDINGS</b>										
Reroof - Clubhouse Facility & Remodel	0	0	0	0	0	0	0	0	0	0
Clubhouse - Paint - Exterior	0	0	9,230	0	0	0	0	10,700	0	0
Clubhouse - Paint - Interior	0	0	4,244	0	0	0	0	4,919	0	0
Clubhouse - Tile	0	0	3,183	0	0	0	0	3,690	0	0
Clubhouse - Furniture & Décor										
Clubhouse - Carpet	0	0	0	6,119	0	0	0	0	7,094	0
Clubhouse - Kitchen	0	0	0	0	0	0	0	0	12,668	0
Clubhouse Appliances	0	0	0	0	0	0	0	0	7,601	0
Clubhouse - Hardware Control System	0	0	4,244	0	0	0	0	4,919	0	0
Breezeway - Stain Concrete	0	0	0	0	6,528	0	0	0	0	7,568
Office Equipment	0	0	5,305	0	0	0	0	6,149	0	0
Office Furniture	0	0	0	0	0	0	0	0	0	0
Access Card System - Readers (3)	0	0	7,957	0	0	0	0	9,224	0	0
Snack Bar - Major Appliances	0	0	0	0	0	0	3,582	0	0	0
Snack Bar - Interior Paint/Cabinets	0	0	0	0	0	0	0	17,526	0	0
Restrooms - Paint	0	0	2,122	0	0	0	0	2,460	0	0
Restroom - Tile	0	0	0	0	0	0	0	0	13,934	0
Restroom Sinks	0	0	0	0	0	0	0	2,460	0	0
Restroom - Toilets	0	0	0	0	0	0	0	0	1,773	0
Restroom Towel Dispensers	0	0	0	0	0	0	1,194	0	0	0
<b>SWIMMING POOL</b>										
Pool - Resurface Main Pool	40,000	0	0	0	0	0	0	0	0	0
Pool - Resurface Wading Pool	8,000	0	0	0	0	0	0	0	0	0
Pool Furniture	0	0	0	0	0	0	0	41,816	0	0
Pool - Guard Stands	0	0	2,652	0	0	0	0	3,075	0	0
Pool Equipment - Intelliflo Pumps	0	0	0	2,185	0	0	0	0	2,534	0
Pool Equipment - Pumps/Motors	900	0	955	0	1,013	0	1,075	0	1,140	0
Pool Water Features	25,000	0	0	0	28,138	0	0	0	31,669	0
Pressure Wash - Pool Deck and Fence (71)	5,000	0	5,305	0	5,628	0	5,970	0	6,334	0
Pool Fence & Gates - Paint	0	0	9,548	0	0	0	0	0	0	0
Pool Arbor	0	0	0	0	0	0	0	0	0	0
Pool Shower Stand	1,275	0	0	0	0	0	0	0	0	0
Pump Room - Interior Walls/Paint	0	0	6,365	0	0	0	0	7,379	0	0
Parking Lot	0	0	0	0	0	23,185	0	0	0	0

# Dancing Bear Property Owners Association

## Exhibit D - Capital Budget

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Outlook</u>	<u>Budget</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>	<u>Forecast</u>
<b>CONTRIBUTIONS</b>									
Allocation from Assessments	0	95,000	45,728	95,000	120,000	130,000	90,000	105,000	90,000
Bank Loan	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>375,000</u>	<u>0</u>	<u>0</u>
<b>TOTAL CONTRIBUTIONS</b>	<b>0</b>	<b>95,000</b>	<b>45,728</b>	<b>95,000</b>	<b>120,000</b>	<b>130,000</b>	<b>465,000</b>	<b>105,000</b>	<b>90,000</b>
<b>EXPENDITURES</b>									
Lakeside park trash receptacles (2011)	2,851	0	0	0	0	0	0	0	0
Main entry lighting project (2011)	4,997	0	0	0	0	0	0	0	0
Main wall & landscaping project (2012/2014)	0	29,959	0	12,600	0	0	0	0	0
Lakeside park sign & fence (2012)	0	1,975	1,144	0	0	0	0	0	0
Purchase 13 acre park land (2013)	0	0	30,188	0	0	0	0	0	0
PR1748 road reconstruction (2013/2014)	0	0	58,000	125,000	0	0	0	0	0
Rec center master plan (2014)	0	0	0	5,000	0	0	0	0	0
Rec center driveway & parking (2015)	0	0	0	0	20,000	0	0	0	0
Rec center play & park equipment (2016)	0	0	0	0	0	50,000	0	0	0
Rec center swimming pool (2017)	0	0	0	0	0	0	400,000	0	0
Rec center clubhouse pool (2022)	0	0	0	0	0	0	0	0	0
Loan payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>89,105</u>	<u>89,105</u>	<u>89,105</u>
<b>TOTAL EXPENDITURES</b>	<b>7,848</b>	<b>31,934</b>	<b>89,332</b>	<b>142,600</b>	<b>20,000</b>	<b>50,000</b>	<b>489,105</b>	<b>89,105</b>	<b>89,105</b>
<b>NET CHANGE TO CAPITAL FUND</b>	<b>(7,848)</b>	<b>63,066</b>	<b>(43,604)</b>	<b>(47,600)</b>	<b>100,000</b>	<b>80,000</b>	<b>(24,105)</b>	<b>15,895</b>	<b>895</b>
Inflation factor	0.94	0.97	1.00	1.00	1.03	1.06	1.09	1.13	1.16

Actual fund  
balance levels

## The Stable Gate Homeowners Association Exhibit E - Changes in Fund Balance

### FUND LEVELS

	2011 <u>ACTUAL</u>	2012 <u>ACTUAL</u>	2013 <u>ACTUAL</u>	2014 <u>OUTLOOK</u>	2015 <u>BUDGET</u>	2016 <u>FORECAST</u>	2017 <u>FORECAST</u>	2018 <u>FORECAST</u>
<b>OPERATING FUND</b>								
Beginning Balance	32,792	11,044	26,333	3,269	(7,542)	12,655	28,417	29,538
Excess Operating Revenues	(6,743)	15,284	(23,064)	(10,811)	20,197	15,762	1,122	607
Prior Period Adjustments	(5)	5	0	0	0	0	0	0
Interfund Transfer	(15,000)	0	0	0	0	0	0	0
Ending Balance	11,044	26,333	3,269	(7,542)	12,655	28,417	29,538	30,145
<b>REPLACEMENT FUND</b>								
Beginning Balance	85,166	68,173	75,673	88,738	124,393	116,393	129,609	150,922
Net Change to replacement fund	(16,993)	7,500	13,066	35,655	(8,000)	13,216	21,313	24,353
Interfund Transfer	0	0	0	0	0	0	0	0
Ending Balance	68,173	75,673	88,738	124,393	116,393	129,609	150,922	175,274
<b>CAPITAL FUND</b>								
Beginning Balance	(31,548)	0	(2,458)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)
Net Change to Capital Fund	16,548	(2,458)	(568)	0	0	0	0	0
Interfund Transfer	15,000	0	0	0	0	0	0	0
Ending Balance	0	(2,458)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)
<b>TOTAL ENDING FUNDS</b>	<b>79,217</b>	<b>99,548</b>	<b>88,981</b>	<b>113,825</b>	<b>126,022</b>	<b>154,999</b>	<b>177,434</b>	<b>202,393</b>

Fund positions  
relative to ideal

### FUND POSITIONS

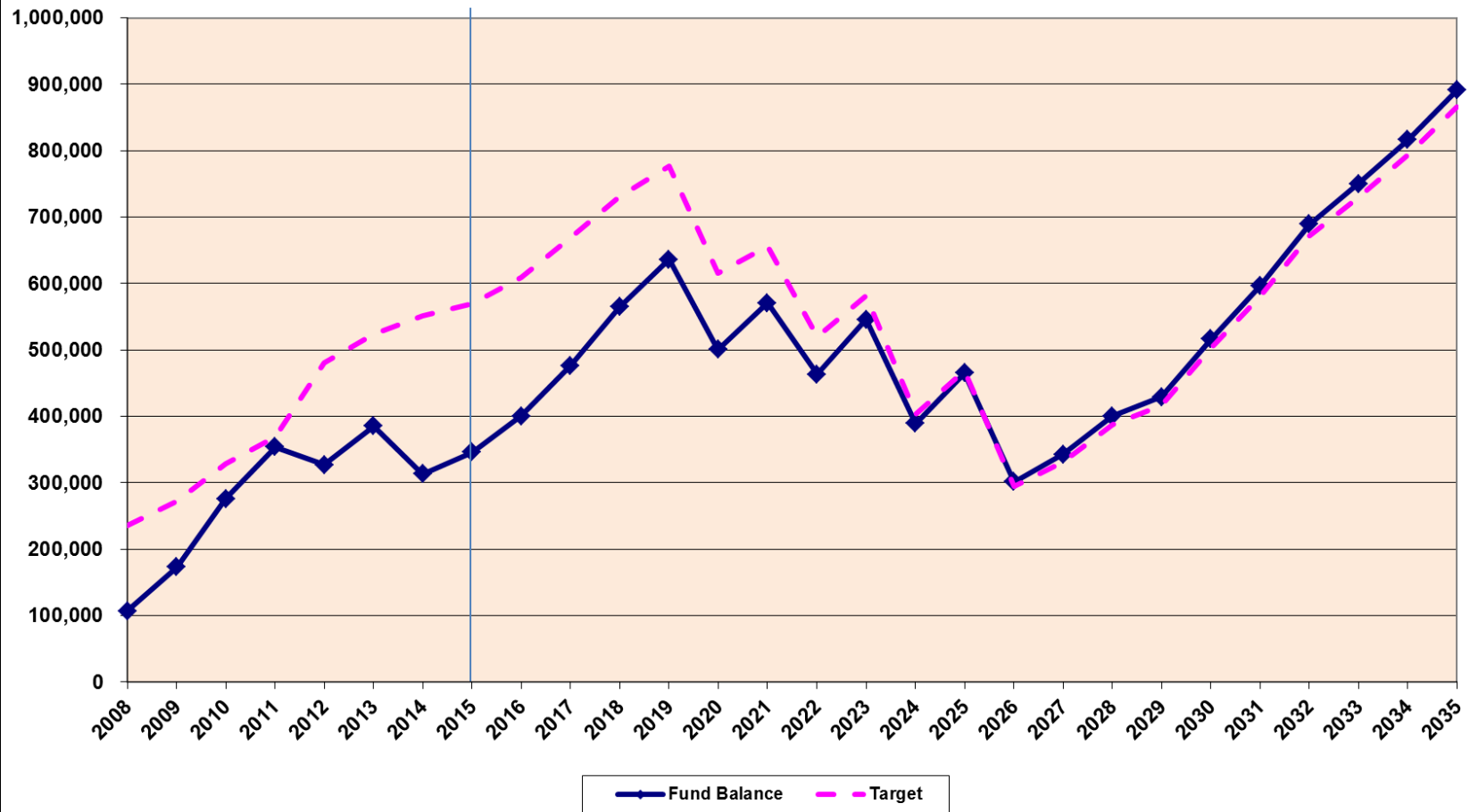
	2011 <u>ACTUAL</u>	2012 <u>ACTUAL</u>	2013 <u>ACTUAL</u>	2014 <u>OUTLOOK</u>	2015 <u>BUDGET</u>	2016 <u>FORECAST</u>	2017 <u>FORECAST</u>	2018 <u>FORECAST</u>
<b>OPERATING FUND</b>								
Ending Balance	11,044	26,333	3,269	(7,542)	12,655	28,417	29,538	30,145
Target Level (15% of Operating Expenses)	28,349	28,532	31,608	27,052	27,860	28,417	29,538	30,145
<b>Percent of Target</b>	<b>39%</b>	<b>92%</b>	<b>10%</b>	<b>-28%</b>	<b>45%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>REPLACEMENT FUND</b>								
Ending Balance	68,173	75,673	88,738	124,393	116,393	129,609	150,922	175,274
Target Level (from Reserve Analysis)	72,350	95,628	72,955	95,628	110,673	130,974	150,477	174,591
<b>Percent of Target</b>	<b>94%</b>	<b>79%</b>	<b>122%</b>	<b>130%</b>	<b>105%</b>	<b>99%</b>	<b>100%</b>	<b>100%</b>
<b>CAPITAL FUND</b>								
Ending Balance	0	(2,458)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)	(3,026)
Target Level (from Capital Project Plan)	0	0	0	0	0	0	0	0
<b>Percent of Target</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>ALL FUNDS</b>								
Total Ending Balance	79,217	99,548	88,981	113,825	126,022	154,999	177,434	202,393
Total Target Level	100,699	124,160	104,563	122,680	138,533	159,391	180,015	204,736
<b>PERCENT OF ALL TARGETS</b>	<b>79%</b>	<b>80%</b>	<b>85%</b>	<b>93%</b>	<b>91%</b>	<b>97%</b>	<b>99%</b>	<b>99%</b>

# Diamond Ridge Property Owners Association

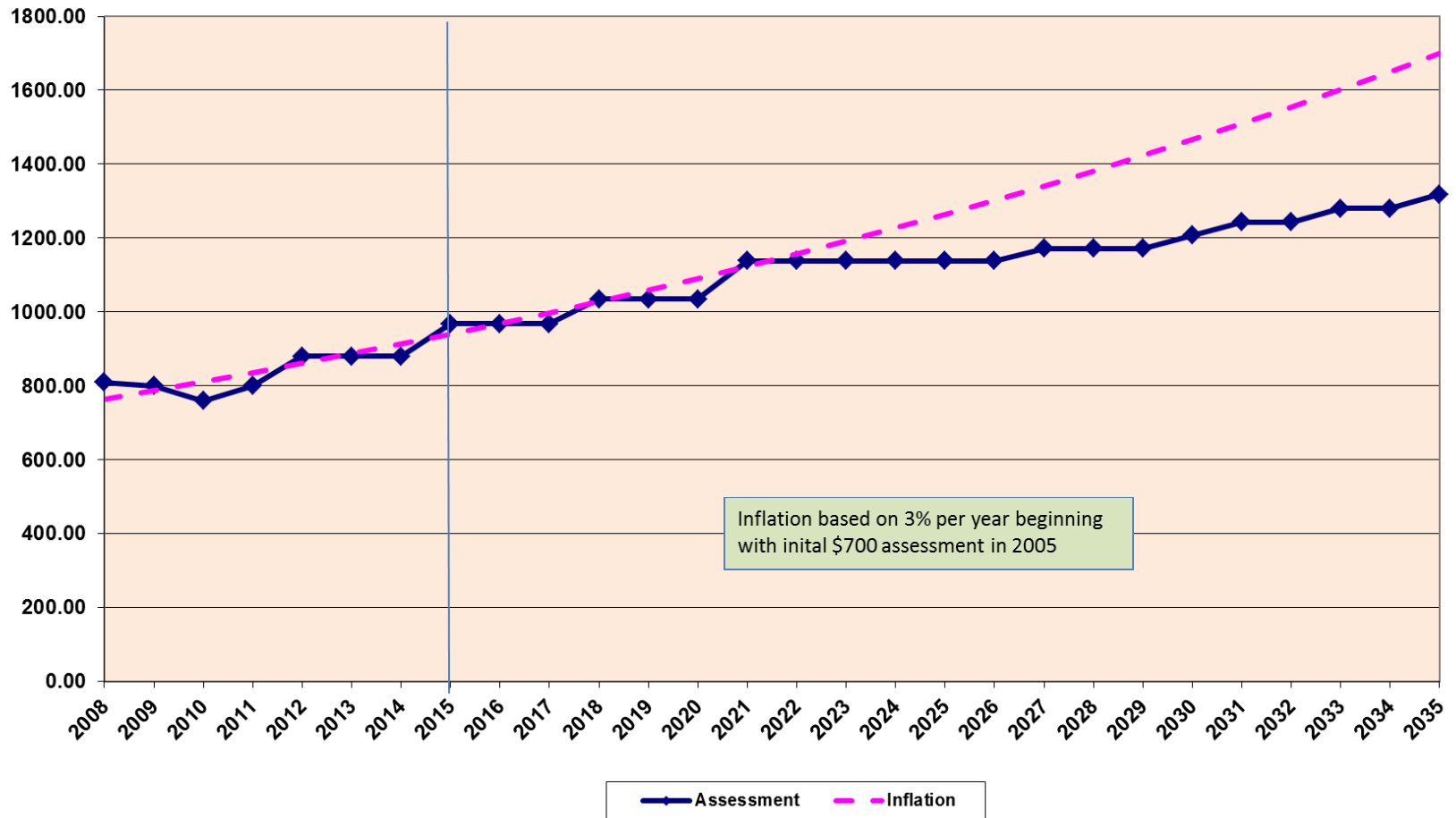
## Exhibit F - Asset Schedule

<u>DESCRIPTION</u>	<u>LAST REPAIR YEAR</u>	<u>USEFUL LIFE</u>	<u>REMAIN LIFE</u>	<u>NEXT REPAIR YEAR</u>	<u>CURRENT REPLACE COST</u>	<u>12/31/2014 BALANCE</u>	<u>2015 RESERVE REQUIRED</u>	<u>NOTES</u>
Entry sign	2004	15	4	2019	4,000	2,933	267	Estimate
Mailbox shelter	2004	25	14	2029	12,000	5,280	480	Estimate
Entry iron fences and gates - repaint	2004	6	0	2015	9,000	9,000	1,500	600' long x 6' high @ \$2.5/sqft
Entry iron fences and gates - replace	2004	25	14	2029	21,000	9,240	840	600' long x 6' high @ \$35/ft
Gate operators	2004	12	1	2016	6,000	5,500	500	Estimate
Gate telephone entry system	2004	12	1	2016	4,000	3,667	333	Estimate
Tennis court resurfacing	2014	10	9	2024	10,800	1,080	1,080	2014 resurfacing by TGB Tennis Courts
Tennis court windscreens	2005	10	0	2015	3,000	3,000	300	Estimate
Tennis court lamp replacement	2005	10	0	2015	3,600	3,600	360	12 lamps @ \$300 each
Tennis lightpole painting	2005	10	0	2015	1,350	1,350	135	Estimate - 9 poles
Lake park restrooms - refurbish	2004	12	1	2016	8,000	7,333	667	Estimate - 4 restrooms
Picnic tables - replace	2004	15	4	2019	4,000	2,933	267	5 tables @ \$800 each
Observation deck iron fencing - repaint	2004	6	0	2015	1,250	1,250	208	125' long x 4' high @ \$2.50/sqft
Observation deck iron fencing - replace	2004	25	14	2029	3,500	1,540	140	125' long x 4' high @ \$28/ft
Lake park pavilion	2004	40	29	2044	80,000	22,000	2,000	Estimate
Metal footbridge - repaint	2004	6	0	2015	7,000	7,000	1,167	700' long x 4' high (including under structure) @ \$2.50/sqft
Metal footbridge - replace	2004	50	39	2054	67,500	14,850	1,350	135' x 6' metal footbridge - estimate based on \$500/ft
Road - crack repairs & PM	2008	4	0	2015	8,000	8,000	2,000	5.2 miles * 24' wide ~660,000ft <sup>2</sup> - lump sum estimate
Road - paving phase 1	2004	16	5	2020	195,800	134,613	12,238	1.4 miles * 24' wide ~178,000ft <sup>2</sup> @ \$1.10/ft <sup>2</sup>
Road - paving phase 2	2004	18	7	2022	167,200	102,178	9,289	1.2 miles * 24' wide ~152,000ft <sup>2</sup> @ \$1.10/ft <sup>2</sup>
Road - paving phase 3	2004	20	9	2024	181,500	99,825	9,075	1.3 miles * 24' wide ~165,000ft <sup>2</sup> @ \$1.10/ft <sup>2</sup>
Road - paving phase 4	2004	22	11	2026	181,500	90,750	8,250	1.3 miles * 24' wide ~165,000ft <sup>2</sup> @ \$1.10/ft <sup>2</sup>
Road - striping	2008	6	0	2015	5,000	5,000	833	5.2 miles * 90% ~ 25,000ft @ \$0.20/ft - center stripe only
<b>TOTALS</b>					985,000	541,922	53,278	

## Diamond Ridge Property Owners Association Exhibit G - Fund Balance Projections



## Diamond Ridge Property Owners Association Exhibit H - Assessment Projections



## Dancing Bear Property Owners' Association Exhibit I – Budget Notes

- (1) **Expense Inflation.** The percent increase in expenses used if better information is not available. A 3% inflation rate is used throughout.
- (2) **Collection Rate.** The assumed percent of assessments billed that are collected by the end of the budget year. A reasonable number for a community with many non-resident owners is used (95%). We will exceed 95% in 2011.
- (3) **Homes at Start of Year.** The number of homes at the beginning of each year. It is assumed that 4 homes are built each year. This assumption has no financial impact.
- (4) **Group A Lots at Start of Year.** This is the number of lots owned by owners with 2 or less lots. The majority of individual owners are in this group.
- (5) **Group B Lots at Start of Year.** This is the number of lots owned by owners with 3 to 14 lots. Going into 2012, there are 4 owners that own 3 or 4 lots. In the future, it is assumed that a builder may temporarily move into this category and eventually there will be six owners that have 3 lots.
- (6) **Group C Lots at Start of Year.** This is the number of lots owned by owners with 15 or more lots. Going in 2012, we have two: Texas Land Fund No. 6 with 218 lots and Community National Bank with 17 lots.
- (7) **Total Lots at Start of Year.** There are 472 platted lots in the community. Additional land was in the original master plan but it is unclear if that land will ever become part of the Association. TLF6 owns 78 acres of unplatted land on the lake side of FM1283 which is part of the Association. If it is platted for residential lots, this number would increase.
- (8) **Base Assessment.** This is the annual assessment. The amount invoiced to a particular lot is based on the group the lot belongs to. In 2012, group A lots are invoiced for \$480, group B lots for \$320 and group C lots for \$240.
- (9) **Increase over Prior Year.** The percentage increase in the assessment from year to year.
- (10) **Group A Rate.** Under the 3<sup>rd</sup> amendment to the CC&Rs, lots owned by an owner with 1 or 2 lots is billed the full base assessment (100%) on each lot.
- (11) **Group B Rate.** Under the 3<sup>rd</sup> amendment to the CC&Rs, lots owned by an owner with 3 to 14 lots is billed 2/3 of the full base assessment (~67%) on each lot.
- (12) **Group C Rate.** Under the 3<sup>rd</sup> amendment to the CC&Rs, lots owned by an owner with 15 or more lots is billed half of full base assessment (50%) on each lot.
- (13) **Equivalent Billable Units.** This represents the equivalent number of lots billed at the full rate. It is the sum of the number of lots in each group times its group rate. Long term, once all the TLF6 lots are sold, it is expected that the Association will have 466 full assessments billed out of the 472 lots.
- (14) **Assessments – Current Year.** Assessment revenue is based on a 2012 maintenance fee of \$480, the number of lots in each group shown and a 95% collection rate across all groups.

# The Answers

- **How much money should we have in the bank?**

*We need to have \$30,640 in our Replacement Fund according to our reserve analysis. We need to have \$42,567 in our Capital Fund so we can do our four entry and park projects on schedule. And we want to have \$54,000 in our Operating Fund which, by Board policy, is set at 4 months operating expenses. Therefore, we should ideally have \$127,207 in our Fund Balance. We currently have \$105,000 or 83% of our ideal balance.*

- **What is the right assessment for our community?**

*Our assessment has been set at \$440 to meet all of our operating, replacement and capital goals and to get us to our ideal funding levels within two years.*

# Questions & Answers

