

THE GROVE HOMEOWNERS ASSOCIATION

December 1, 2020

The Grove HOA 2021 Budget - Treasurer's Note

Since 2017, our community has held annual dues flat at \$440 per year. As we look toward 2021 we expect cost increases along with uncertain supplemental income sources. The below summary identifies key budget drivers and a brief description of each.

The HOA Board remains fiscally conservative, keeping costs low while delivering value to the community. The 2021 annual dues of \$459.50 is still significantly less than other nearby communities' and represents a great value for our area.

Thank you for your continued support and please do not hesitate to reach out if you have any questions or would like more information.

2021 Annual Budget Drivers Summary

	<u>2021 Budget</u>	<u>vs 2020 Budget</u>	<u>Percent</u>	<u>Notes</u>
Home Owner Dues	\$338,192	\$14,352	4.24%	To balance budget
Newsletter Income	\$3,500	-\$1,136	-0.34%	Advertising income based on 2020 actuals
Club House Income	\$0	-\$6,773	-2.00%	\$0 in 2021 given rental uncertainty
Other Income Line Items	\$2,985	-\$332	-0.10%	Other immaterial changes
Income Total	<u>\$344,677</u>	<u>\$6,111</u>	<u>1.81%</u>	
Administrative	\$18,559	\$2,304	0.68%	Increase in social / welcome committee & coll. fees
Utilities	\$29,572	\$1,691	0.50%	Clubhouse wifi service (pool opening enabler)
Landscaping	\$110,664	-\$12,406	-3.66%	2020 entrance improvements, non-recurring in 2021
Contracted Services	\$45,500	\$8,500	2.51%	Pool and cleaning increases to open pool
Repair & Maintenance	\$16,038	\$1,302	0.38%	Pool supplies / expenses to reopen
Professional Services	\$57,479	\$1,603	0.47%	Community Group contract tied to CPI increase
Replacement Reserves	\$44,230	\$3,002	0.89%	Required annual reserve contribution
Other Expense Line Items	\$22,635	\$115	0.03%	Other immaterial changes
Expense Total	<u>\$344,677</u>	<u>\$6,111</u>	<u>1.81%</u>	

The following information will explain the major budget line items.

Income

- The amount of **Assessments**, \$459.50 per home per year, is based on total expenses minus all other sources of income.
- **Newsletter Advertising Income** comes from paid advertisers for the newsletter.
- **Rental Income** is generated by the rental of the clubhouse by homeowners.
- **Collections Income** is generated by **Late Charges**, which are assessed when an annual payment is

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not received within 30 days of the due date.

- **Other Income** comes primarily from charges assessed to homeowners for rules violations.
- **Interest Income** is earned on invested funds. The Association invests most of its assets in certificates of deposit (CDs) and money market funds to earn a reasonable rate of return while maintaining liquidity.

Administrative Expenses

- **Other Administrative** line item includes expenses for the Annual Meeting and certified mailings.
- **Collections Fees** are charged for sending delinquency notices to homeowners and for turning accounts over to the Association's attorney for collections.
- **Website Fees** are paid to manage www.TheGroveHOA.com.
- **Social Activities** are budgeted at \$4,300 for 2021. This includes National Night Out, Grovetoberfest and other community sponsored events which we hope to participate in during 2021.
- The Association incurs **Postage** and **Printing** costs for correspondence and meeting notices.
- The Association incurs expenses related to the drafting, editing and printing of the quarterly community **newsletter**.

Insurance

- The Association carries a \$1,000,000 property/liability **Insurance** policy as well as a \$1,000,000 Directors' & Officers' policy and a \$500,000 fidelity bond.

Utilities

- The Association incurs expenses for **Electricity** for the street lights, irrigation, and clubhouse operation. **Gas Service** is provided for the clubhouse. **Water/Sewer** is provided for the clubhouse, pool and irrigation of the common areas. The clubhouse has a **telephone** for summer emergency use only.

Landscaping, Irrigation, and Contracted Expenses

- **Grounds Maintenance** is provided by Nature's Way for 2020. The landscape contract includes mowing, edging, aerating, overseeding and fertilizing the turf in the common areas. In addition, Nature's Way will apply lime, pull weeds, apply mulch to common area mulch beds, apply herbicides, and prune shrubs.
- **Tree Removal** covers the cost of removal of dead, dying or diseased trees and stumps in the common areas.
- The **Grounds Repairs/Improvements** line item includes repairs of walkways, fence repairs and the replacement of shrubs and mulch as needed.
- The **Irrigation System Repair & Maintenance** contract covers the cost of spring start-up, inspections, repairs and fall/winter shutdown.
- **Clubhouse Cleaning** is done twice per month. Additional services include end of pool season cleaning, tile floor cleaning, and window cleaning.
- **Pool Contract:** Swim Management will continue to provide the maintenance of the pool in 2021. Added costs in this category due to possible increase to minimum wage and COVID restrictions.

Repair & Maintenance Expenses

- **Clubhouse, Fencing, Lighting, and Sidewalk Repairs** are performed as needed to exterior building surfaces and all common area improvements.
- **Snow Removal** (plowing of clubhouse parking areas) is done as needed.

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Professional Services

- **Audit/Tax Return** includes the preparation of tax returns and an annual balance sheet review by the accounting firm of Adams, Jenkins & Cheatham. Full Audit is done every 5 years.
- The **Accounting** line item covers the cost of Community Group's accounting work including processing of assessment payments; coordinating collection of delinquent accounts; reconciling bank accounts; making payments to contractors; preparing bi-monthly financial statements; and preparation of a budget.
- **Legal/Professional** expenses consist primarily of attorneys' fees for consultation and advice. Corporate Fees are paid annually to the State Corporation Commission and the Common Interest Community Board as required by law.
- The Association's **Management** contract with Community Group includes inspections of the community, attendance at Board meetings and the Annual Meeting, responding to homeowner requests, correspondence, obtaining bids, overseeing the work of contractors, and providing counsel to the Board of Directors.

Reserves

A 20-year reserve analysis for the community was done by Design Management and updated in the spring of 2017. The reserve analysis calls for allocations for:

- **Clubhouse** interior & exterior repairs/painting
- Replacement of **Asphalt Parking/Walkways**
- Funding for replacing of **signs** in all the common areas
- Replacement of **playground equipment**
- Replacement of **landscaping walls, irrigation system, fences, sidewalks and other community amenities as needed.**
- **Interest** income is allocated to reserves to help offset the effects of inflation.

The Board members feel that the 2021 budget will help them maintain and enhance The Grove Homeowners Association. If you have questions concerning the budget, please do not hesitate to contact any Board member.

The procedures used for the estimation and accumulation of cash reserves by the Association include the following steps:

- Reviewing the reserve study, which estimates the reserve amounts needed and the annual contributions to be made to the cash reserves,
- Considering the expenditures made for the repair, replacement and restoration of capital components by the Association since the reserve study was completed,
- Considering recommendations, if any, from vendors for upcoming repairs, replacements or restorations of capital components,
- Reviewing the current balance of the cash reserves, and
- Based on that information, evaluating whether the Association should follow the reserve study's recommendations for annual reserve contributions or whether it should budget for an increased or decreased annual reserve contribution.

The Association's reserve study recommends a balance of \$379,912 as of December 31, 2020. The amount of cash allocated to reserves as of July/ Aug 2020 is \$316,687.

Budget Summary Report
Grove HOA
Grove HOA 2021 Budget Approved 10/26/20

	<u>2021 Budget</u>
Assessment Income	
4000 - Assessments	338,192.00
Total Assessment Income	338,192.00
User Fee Income	
4295 - Newsletter Advertising Income	3,500.00
Total User Fee Income	3,500.00
Rental Income	
4400 - Clubhouse Rental Income	0.00
Total Rental Income	0.00
Collections Income	
4710 - Late Charges	1,600.00
Total Collections Income	1,600.00
Other Income	
4835 - Other Income	175.00
Total Other Income	175.00
Investment Income	
4910 - Interest Income	1,210.00
Total Investment Income	1,210.00
Total Operating Income	344,677.00
Administrative	
5000 - Other Administrative	304.00
5010 - Uncollectable Accounts	0.00
5025 - Collection Fees	1,600.00
5115 - Website	1,559.00
5200 - Social Activities	4,300.00
5210 - Printing	4,000.00
5215 - Postage/Distribution	2,255.45
5225 - Newsletter	4,540.00
Total Administrative	18,558.45
Insurance	
5440 - Insurance - Premiums	9,156.20
Total Insurance	9,156.20
Utilities	
6000 - Electric Service	8,894.75
6005 - Gas Service	325.00
6025 - Water/Sewer - Clubhouse	18,308.45
6050 - Telephone-Clubhouse	2,044.00
Total Utilities	29,572.20
Landscaping	
6100 - Grounds Maintenance	85,644.00
6165 - Tree Removal	5,000.00
6199 - Grounds Repairs/Improvements	20,000.00
Total Landscaping	110,644.00

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Irrigation	
6200 - Irrigation Repair & Maintenance	13,500.00
Total Irrigation	13,500.00
Contracted Services	
6430 - Clubhouse Cleaning	5,000.00
6438 - Pool Contract	40,500.00
Total Contracted Services	45,500.00
Repair & Maintenance	
6525 - Clubhouse Repairs/Improvements	6,000.00
6640 - Lighting Supplies/Repair & Maintenance	1,955.00
6700 - Pool Supplies/Repair & Maintenance	3,272.21
6750 - Snow Removal & Supplies	1,311.00
6795 - Other Supplies/Repair & Maintenance	3,500.00
Total Repair & Maintenance	16,038.21
Professional Services	
7000 - Audit/Tax Return	4,040.00
7015 - Accounting	9,300.36
7020 - Legal/Professional	3,273.00
7040 - Management Fees	40,865.11
Total Professional Services	57,478.47
Reserve Expenses	
9800 - Replacement Reserves	43,019.47
9834 - Contingency Funds Reserve	0.00
9908 - Interest to Reserves	1,210.00
Total Reserve Expenses	44,229.47
Total Operating Expense	344,677.00
Total Association Net Income / (Loss)	<u>(0.00)</u>