

# THE GROVE HOMEOWNERS ASSOCIATION

December 1, 2021

## The Grove HOA 2022 Budget

Please see the below budget summary identifying key budget drivers and a brief description of each. For 2022, dues are increasing \$30 per home over 2021, driven primarily by macro-economic drivers including year over year CPI-U increase (measure of inflation) and labor cost increases. These factors drive our lawn and grounds maintenance costs, pool operation contract, and Community Group contract which are our three largest budget line items.

The HOA Board remains fiscally conservative, keeping costs low while delivering value to the community. The 2022 annual dues of \$490 per home is 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.

### 2022 Annual Budget Driver Summary

	<u>2022 Budget</u>	<u>vs 2021 Budget</u>	<u>Percent of Total</u>	<u>Notes</u>
Homeowner Dues	\$360,640	\$22,448	6.51%	To balance budget, \$490 per home ~\$30 increase
Newsletter Income	\$3,500	\$0	0.00%	No rate changes expected
Clubhouse Income	\$5,000	\$5,000	1.45%	Increase from \$0 given re-opening of clubhouse
Other Income Line Items	\$4,075	\$1,090	0.32%	Increases expected for interest, late fees, compliance fees
<b>Income Total</b>	<b><u>\$373,215</u></b>	<b><u>\$28,538</u></b>	<b><u>8.28%</u></b>	
Administrative	\$20,408	\$1,849	0.54%	Online proxy (\$1k) and social committee increase (\$800)
Utilities	\$28,229	-\$1,343	-0.39%	Decrease due to not connecting wifi in 2021
Landscaping	\$116,420	\$5,756	1.67%	Landscaping contract increase \$5k
Contracted Services	\$57,000	\$11,500	3.34%	Pool contract increase \$11.5k
Repair & Maintenance	\$15,455	-\$583	-0.17%	Decrease clubhouse repairs offset by inc in pool repairs
Professional Services	\$64,667	\$7,188	2.09%	CG annual inc. (tied to CPI-U, \$4.2k) & reserve study (\$2.9k)
Replacement Reserves	\$48,380	\$4,150	1.20%	Required annual reserve contribution increase
Other Expense Line Items	\$22,656	\$21	0.01%	Other immaterial changes
<b>Expense Total</b>	<b><u>\$373,215</u></b>	<b><u>\$28,538</u></b>	<b><u>8.28%</u></b>	

**Note:** This table calculates the year over year budget item change as a percent of total annual change to show top Income & Expense drivers

The following information will explain the major budget line items.

### Income

- The amount of **Assessments**, \$490 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 not received within 30 days of the due date.

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- **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 cash in certificates of deposit (CDs) and money market funds to earn a reasonable rate of return while maintaining liquidity.

### Administrative Expenses

- **Other Administrative** 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](http://www.TheGroveHOA.com).
- **Social Activities** include National Night Out, Grovetoberfest and other community sponsored events during 2022.
- 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 \$2,000,000 property/liability **Insurance** policy as well as a \$2,000,000 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** includes mowing, edging, aerating, overseeding and fertilizing the turf in the common areas. Routine lime, weeding, common area mulch, herbicide treatment, and shrub pruning are included on an as needed basis.
- **Tree Removal** covers the cost of removal of dead, dying or diseased trees and stumps in the common areas.
- The **Grounds Repairs/Improvements** includes repairs of walkways, fence repairs and the replacement of shrubs and mulch as needed.
- **Irrigation System Repair & Maintenance** covers the cost of spring start-up, inspections, repairs and fall/winter shutdown.
- **Clubhouse Cleaning** is performed daily during the pool season and every other week all other months. Additional services include end of pool season cleaning, tile floor cleaning, and window cleaning.
- **Pool Contract:** A new contractor will be selected for the upcoming 2022 season. Added costs in this category due to anticipated increase to minimum wage. Cost includes provisioning of lifeguards, routine water treatment, and other costs required to operate the pool

### Repair & Maintenance Expenses

- **Clubhouse, Fencing, Lighting, and Sidewalk Repairs** are performed as needed to exterior building surfaces and all common area improvements.

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- **Snow Removal** (plowing of clubhouse parking areas) is done as needed.

### 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 performed 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. A New study will be performed in 2022. 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 2022 budget will maintain and enhance The Grove Common areas, provide amenities, and support community events in our neighborhood throughout the year. If you have questions about 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 \$326,337 as of December 31, 2021. The amount of cash allocated to reserves as of July/ Aug 2021 is \$361,368. The Board will

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evaluate the projected reserve overage in 2022 upon receipt of our updated reserve study.

**Budget Summary Report**  
**Grove HOA**  
**Grove HOA 2022 Budget Approved 10-29-21**

	<u>2022 Budget</u>
<b>Assessment Income</b>	
4000 - Assessments	360,640.00
<b>Total Assessment Income</b>	<b>360,640.00</b>
<b>User Fee Income</b>	
4295 - Newsletter Advertising Income	3,500.00
<b>Total User Fee Income</b>	<b>3,500.00</b>
<b>Rental Income</b>	
4400 - Clubhouse Rental Income	5,000.00
<b>Total Rental Income</b>	<b>5,000.00</b>
<b>Collections Income</b>	
4710 - Late Charges	2,000.00
<b>Total Collections Income</b>	<b>2,000.00</b>
<b>Other Income</b>	
4835 - Other Income	275.00
<b>Total Other Income</b>	<b>275.00</b>
<b>Investment Income</b>	
4910 - Interest Income	1,800.00
<b>Total Investment Income</b>	<b>1,800.00</b>
<b>Total Operating Income</b>	<b>373,215.00</b>
<b>Administrative</b>	
5000 - Other Administrative	362.00
5025 - Collection Fees	1,600.00
5115 - Website	2,510.00
5200 - Social Activities	5,100.00
5210 - Printing	4,000.00
5215 - Postage/Distribution	2,255.45
5225 - Newsletter	4,580.36
<b>Total Administrative</b>	<b>20,407.81</b>
<b>Insurance</b>	
5440 - Insurance - Premiums	9,156.20
<b>Total Insurance</b>	<b>9,156.20</b>
<b>Utilities</b>	
6000 - Electric Service	9,000.00
6005 - Gas Service	500.50
6025 - Water/Sewer - Clubhouse	18,308.45
6050 - Telephone-Clubhouse	420.00
<b>Total Utilities</b>	<b>28,228.95</b>
<b>Landscaping</b>	
6100 - Grounds Maintenance	90,420.00
6165 - Tree Removal	6,000.00
6199 - Grounds Repairs/Improvements	20,000.00
<b>Total Landscaping</b>	<b>116,420.00</b>

**Budget Summary Report**  
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	<u>2022 Budget</u>
<b>Irrigation</b>	
6200 - Irrigation Repair & Maintenance	13,500.00
<b>Total Irrigation</b>	<b>13,500.00</b>
<b>Contracted Services</b>	
6430 - Clubhouse Cleaning	5,000.00
6438 - Pool Contract	52,000.00
<b>Total Contracted Services</b>	<b>57,000.00</b>
<b>Repair &amp; Maintenance</b>	
6525 - Clubhouse Repairs/Improvements	4,000.00
6640 - Lighting Supplies/Repair & Maintenance	1,955.00
6700 - Pool Supplies/Repair & Maintenance	5,000.00
6750 - Snow Removal & Supplies	1,000.00
6795 - Other Supplies/Repair & Maintenance	3,500.00
<b>Total Repair &amp; Maintenance</b>	<b>15,455.00</b>
<b>Professional Services</b>	
7000 - Audit/Tax Return	5,000.00
7015 - Accounting	9,960.72
7020 - Legal/Professional	5,940.00
7040 - Management Fees	43,766.02
<b>Total Professional Services</b>	<b>64,666.74</b>
<b>Reserve Expenses</b>	
9800 - Replacement Reserves	46,246.00
9834 - Contingency Funds Reserve	334.30
9908 - Interest to Reserves	1,800.00
<b>Total Reserve Expenses</b>	<b>48,380.30</b>
<b>Total Operating Expense</b>	<b>373,215.00</b>
<b>Total Association Net Income / (Loss)</b>	<b><u>(0.00)</u></b>