



Gold Coast Professional Schools

Dear Community Association Manager:

Since 1970, Gold Coast has been a leading provider of continuing education in Florida. For over 40 years we have helped hundreds of thousands of people, in a variety of professions, obtain and renew their licenses. ***We are committed to offering quality courses, at reasonable prices.***

We recognize that professionals like you are busy and it's not always convenient to attend class. Unfortunately, failure to comply with continuing education requirements can subject you to disciplinary action and possibly result in the ***loss of your hard earned license.***

Gold Coast is taking convenience to a new level! Enclosed in this book are twenty hours of **approved CAM continuing education courses**. The **2013 Update Seminar** should have been completed by **September 30, 2013**, but we've included this course in case you didn't complete it.

Each course has a separate final exam, located at the end of the course. The final answer sheet is located at the back of the book. Complete the answer sheet, and mail or fax it to us with payment for only the courses you complete. Upon achieving a passing grade, your certificate(s) of completion will be mailed to you. ***It's that simple!***

If you have any questions, please contact us.

Sincerely,

James D. Greer, Director

Important Note: The Regulatory Council of Community Association Managers recently passed an amendment to rule 61-20.508 which once again permits all 20 hours of continuing education to be completed by correspondence.

This page was intentionally left blank

Frequently Asked Questions

Q: *How many hours of continuing education do I need?*

A: Most CAMs need 20 hours total, by September 30, 2014. Of the 20 hours, the 2 hour 2013 Legal Update seminar should have been completed by September 30, 2013. **For the September 30, 2014 renewal, courses must be completed in the following areas:**

- 2013 Legal Update Seminar (Should have been completed by **09-30-13**)
- 2014 Legal Update Seminar
- 4 Hours of Human Resources
- 4 Hours of Insurance/Financial Management
- 4 Hours on the Operation of the Association's Physical Property
- 4 additional hours from any of the above 3 topics

This book includes 10 hours, which consist of the following:

- **Rules Were Meant to Be? (4 Hours of Elective)**
- **Budget Basics or Are They? (4 Hours of Insurance/Financial Management)**
- **2013 Legal Update (2 Hours of Legal)**

Complete all of the courses, or only those that you need.

Note that the DBPR has approved some courses to fulfill more than one area of educational requirements. However, you may only use each course for one category

Q: *September 30, 2014 will be my first CAM license renewal. What do I need to do?*

A: Licensees licensed for 24 months or less at renewal time are exempt from compliance with the CE requirements, above, until the end of the next renewal cycle. However, there are numerous legislative changes that occurred in 2013 legislative session. The DBPR will expect you to know these regardless of the CE requirements. Therefore, you may wish to take the 2014 Legal Update Seminar.

Q: *Is Gold Coast a reputable company? Are these courses state approved?*

A: Yes! Gold Coast is a state approved provider. (Provider #000842). The Gold Coast family of schools, including Gold Coast Professional Schools, Inc., Gold Coast School of Real Estate, Gold Coast School of Insurance, Inc., and Gold Coast School of Construction, Inc., have been offering pre-license, post-license, and continuing education courses for various licenses since 1970. We are one of the largest private CE providers in the country. Our business has been built on quality courses, at reasonable prices.

***If you have any questions, please contact us at 1-800-732-9140.
Our knowledgeable staff will be happy to assist you.***

Directory

- **For questions regarding this course:**

Gold Coast Professional Schools, Inc.
5600 Hiatus Road
Tamarac, FL 33321
1-800-732-9140
progers@goldcoastschools.com

- **For questions regarding your CAM license:**

The Regulatory Council of Community Association Managers
1940 North Monroe Street
Tallahassee, FL 32399
(850) 487-1395

http://www.state.fl.us/dbpr/pro/cam/cam_index.shtml

or visit: www.myflorida.com and follow the links to the DBPR, Division of Professions

- **For questions regarding condominiums or cooperatives:**

Division of Florida Land Sales, Condominiums, and Mobile Homes
1940 North Monroe Street
Tallahassee, FL 32399
www.myflorida.com

(Follow the links to the DBPR, Division of Florida Land Sales)

- **To view copies of the Florida Statutes or pending legislation:**

www.myflorida.com
(Follow the links to the Legislature)



Budget Basics or Are They?

This Course is approved by the DBPR Council of Community Association Managers, for 4 hours of continuing education credit in the area of:

Insurance/Finance

Gold Coast Professional Schools, Inc Provider # 00842

Correspondence Course Approval # 9625525

Classroom Course Approval # 9626662

This page was intentionally left blank

Table of Contents

Topic	Page
Introduction	47
Overview	48
Financial basics	48
Why do associations have budgets?	48
Fiscal Year	49
Financial Records	49
When Should Budget Preparation Occur?	49
Who Develops the Budget?	49
Statutory and Administrative Code Requirements & Guidelines for Community Association Budgets	51
Condominiums	51
Cooperatives	52
Homeowners' Associations	52
Accounting Software	52
Good Management & Financial Practices	53
Providing Access to Financial Records	54
Differences between operating & Reserve Budgets	54
Budget Development	55
Objectives	55
Purpose of Operating Budget	56
Information Required to Properly Develop the Budget	56
Exercise: Development of Operating Budget Line Items	60
Reserve Budget	60
Definition of Reserves	60
Different Types of Reserves	61
Pooled Reserves	61
Why Establish Reserves?	61
What is Fully Funded?	62
Estimating Reserves	63
Reserve Studies	64
What is a Reserve Schedule?	65

What are the steps to prepare a reserve schedule?	65
Segregated Method	67
Adjusting the Schedule	67
Preparing the Pooling Schedule	67
Comments on Using Reserves	68
Exercises	69
Assessments	69
How Do I Compute the Assessments?	69
Exercises	70
Adoption of the Budget	70
Board Approved Budget	71
Condominium/Cooperative	71
Unit Owner Approved Budget	72
After the Budget is Approved	72
Condominium/Cooperative – Budget Exceeds 115 Percent of Prior Year’s Assessment ...	72
Publication of the Budget	73
Special Assessments	73
Surplus Funds	73
Assessment & Collection Policies	73
Claim of Lien	74
Foreclosing the Claim of Lien	75
Collection from Lessees	75
Financial Systems	76
Accrual versus Cash Accounting	76
Financial & Other Reporting	76
Association Investments	78
Record Retention	79
Taxes	79
Real Estate Taxes	79
Annual Corporate Report	79

Regulated Association Annual Fees	80
Conclusion	80
Appendix A: Sample Objectives	81
Appendix B: Operating Budget Data – Background Budget Data	83
Appendix C: Year to Date Performance	85
Del Boca Bleu Contract Review	88
Trash Collection Comparison	89
Employee Coast Analysis	89
Copier Cost Comparison	90
Appendix D: Proposed Budget Worksheet	91
Appendix E: Assessment Schedule	93
Appendix F: Reserve Schedule	94
Appendix H: Sample Reserve Schedule Format	97
Appendix I: Pooled Reserves	99
Appendix J: Pooled Reserve Exercise	100
Appendix L: Budget Package – Budget Meeting Notice	101
Sample Budget Letter	102
Limited Proxy	103
Proxy	104
Exam Instructions	105
Final Exam	105
Exam Instructions and Answer Sheet	173-176

This page was intentionally left blank

Introduction

This Financial & Insurance Course discusses the budget process, including highlighting statutory requirements for each type association. Students will develop a budget, including reserves. We will compare pooling reserves to the traditional system of reserve categories. The course is designed to assist both individuals new to the field and experienced community association managers. **Students will require a calculator for portions of the course.**

We will also review collection procedures, special assessments, and other issues pertinent to developing and maintaining a financial management system. In developing this course, we have utilized the DBPR publication: "Budgets & Reserve Schedules," "Sample Reserve Study Reports [Reserve Advisors, Inc.], various accounting guides and references, reserve studies provided by condominium managers, and budgets from various associations. We thank those who have assisted with the development of the course, in discussing problems and issues they encounter, and in dealing with financial matters within diverse association settings.

Some of the information presented in this course may not apply to every community association. However, the DBPR requires that community association managers be familiar with the laws and rules governing all types of associations. Further, by doing so, a manager may find him- or herself more qualified to advance within the community association management profession.

Thank you for choosing Gold Coast Professional Schools. It is our objective to provide you with the best possible course and materials. If you have any questions or comments about this course, or about any other courses or materials, please contact us at 1-800-732-9140, or by writing to:

Gold Coast Professional Schools
Attention: Director, Community Association Management Program
5600 Hiatus Road
Tamarac, Florida 33321

1 **Overview**

2 Our objectives in this course are to describe the budgeting process and highlight the statutory
3 requirements for condominiums, cooperative and homeowners' associations, which are under the control
4 of the owners. While many students may have developed budgets in the past, this course will identify
5 ways they can improve cost projections and strategies to aid the board in making difficult decisions.

6 Students will prepare a proposed budget and reserve schedule. We will discuss the advantages of
7 reserves, what they should include, and when it is appropriate to waive them. This course provides
8 practice exercises so that students can apply the knowledge they have learned.

9 The course will cover the basics of financial reporting. We will briefly discuss procedures that the board
10 may wish to put in place to monitor and control expenditures. We will discuss collection requirements
11 and expenditure controls, and review draft procedures for financial management.

12 The course is arranged in sequence so that students will begin with identifying budgetary needs, and
13 finish with an approved budget.

14 **Financial Basics**

15 ***Why do associations have budgets?***

16 All Community Associations are required to have a financial plan. The plan (budget) allows the
17 association to estimate future income and expenditures. The Community Association is the legal entity
18 (corporation) that maintains the common property for the benefit of the owners or members. In fact,
19 operating an association is similar to running a business. The board of every corporation must plan its
20 revenues and expenditures for the upcoming year. The board protects the members (stockholders) by
21 estimating how much money it must collect to properly operate the association (corporation).

22 An association budget assists the board by projecting expenses and creating a benchmark by which to
23 compare the board's stewardship of the financial assets of the association. It relates the expenditure of
24 certain funds to specific objectives that the association will undertake to protect, preserve, or enhance
25 the property and its assets, and to serve its members (owners or shareholders). The budget provides for
26 control over certain restricted funds of the association, and relates revenues & expenditures back to the
27 objectives it identified at budget development.

28 The budget provides a projection of expenses for the coming year and serves as the basis for determining
29 the financial obligations of its members. That is, it identifies how much money must be collected from
30 unit owners. Once adopted, the budget becomes the basis for allocating the annual assessments.⁴
31 Assessments are based on either a per unit charge or by percentages recorded in the documents. The
32 adopted budget should be signed by the treasurer and one other officer and/or the president and the
33 corporate seal.

34 The association projects spending on the revenues it anticipates receiving each month. So, the budget
35 also serves as a financial reporting tool when comparing expected results with actual results (i.e.,
36 budgeted monies vs. monies actually spent). Since the budget is an estimate of future revenues and
37 expenses, it does not project costs for unexpected events, such as hurricanes or elevator breakdowns,
38 or pipe breaks.

⁴ Also referred to as membership fees, maintenance fees, or some other term. Differentiated from assessments charged for special projects or to meet unexpected costs (called special assessments)

1 Fiscal Year

2 Associations are required to have *annual* budgets. Corporations develop budgets based upon the 12
3 month period best suit their production or services. Governments traditionally use a July to June or an
4 October to September budget year. Accountants call the annual budget year a “*fiscal year*.” This holds
5 regardless of when the budget year starts. While most community associations based their budgets on
6 the traditional *January to December* year, you may find that yours works with a different fiscal year, for
7 instance *May to April*.

8 The Bylaws usually state the fiscal year of the association. The fiscal year also determines when the
9 association must submit its taxes to the IRS. Once you have established when the fiscal year begins
10 and ends, you can identify when to submit your financial reports to the accountant so that he or she may
11 complete tax returns, annual financial reports, and any other information that may be required for your
12 association.

13 Financial Records

14 Financial records comprise all records that chronicle, measure, and communicate financial data and
15 statistics, whether maintained in a computerized (electronic) system or on a spreadsheet. Some of the
16 association records for budgeting and accounting include, but are not limited to:

- 17 ▪ Approved budget
- 18 ▪ Statement of revenues & expenditures through the last month of the current fiscal year
- 19 ▪ Past years budgets and EOY⁵ revenue & expenditure statements
- 20 ▪ Accurate, itemized & detailed receipts for all expenditures
- 21 ▪ Accurate, itemized & detailed information documenting revenues from sources other than routine
22 & special assessments
- 23 ▪ Up to date account for each unit, parcel, or shareholder. The account should provide:
 - 24 ○ unit or parcel number & name of owner/shareholder
 - 25 ○ due date for payment of regular assessments
 - 26 ○ due date for payment of any special assessments
 - 27 ○ amount of assessment(s) due
 - 28 ○ amount paid
 - 29 ○ date paid
 - 30 ○ late fees
 - 31 ○ other charges
 - 32 ○ balances due & for what (assessments, fines, late fees, etc.)
- 33 ▪ Accounting statements & financial reports for the association, including audits or reviews, and any
34 statements issued periodically to update the board
- 35 ▪ Bank statements & reconciliations for all accounts. This should include copies of cancelled
36 checks.
- 37 ▪ Engineering reports on the status of major components

⁵ EOY = End of Year

- 1 ▪ Maintenance records on repairs & service
- 2 ▪ Current reserve schedule, and estimates from professionals on current costs of each component
- 3 or item
- 4 ▪ Current contracts
- 5 ▪ Any information from contractors on changes proposed for the next contract year
- 6 ▪ Any information from utilities companies regarding potential increases
- 7 ▪ Any announcements regarding changes in minimum wage, tax rates, etc.
- 8 ▪ Bids for contracts from the past year ⁶
- 9 ▪ Monthly or quarterly tax returns

10 You will use these documents during your preparation of the proposed budget.

11 ***When Should Budget Preparation Occur?***

12 Information gathering for the next year's budget is ongoing. As the managers receive information from a
13 vendor, contractor, utility, etc., he should put these into a file for budget preparation. Professionals
14 recommend that the budget preparation process begin about three months prior to the beginning of the
15 new fiscal year. This provides time to:

- 16 ▪ compare historical budget versus actual performance
- 17 ▪ research payment histories of members where necessary
- 18 ▪ identify and talk with vendors regarding costs of services and equipment
- 19 ▪ determine whether additional expenditures will be required to maintain the property at the current
- 20 level
- 21 ▪ ascertain of the board plans on undertaking any special projects for the coming year
- 22 ▪ obtain updated estimates on reserve items
- 23 ▪ establish objectives for the next budget year

24 ***Who Develops the Budget?***

25 Depending upon the association, the board may choose to have the manager develop the budget for its
26 review; it may have the treasurer (if qualified) put together a draft budget, or it may choose to appoint a
27 budget committee. Each approach has advances and disadvantages. Having the manager, in
28 conjunction with the treasurer, develop a proposed budget, is probably the most effective & politically
29 acceptable way. In years where the association expects little change in the assessments, it may choose
30 this method.

31 However, when the association is undergoing significant change, or expects major repairs and projects
32 to significantly increase costs, the board should consider involving community members.
33 Owners/shareholders who are involved in the budget development process will more likely accept and
34 understand the budget and the expenditures required by the association. They will also have "ownership"
35 of the proposed budget, and can assist in educating other community members regarding increases and
36 changes needed.

37 A budget committee provides owners/shareholders with the opportunity to become more involved in the
38 association. The committee may be assigned to gather information about possible improvements,

⁶ Condominiums & cooperatives are required to maintain the bids from vendors not chosen to perform the work for a minimum of one (1) year.

1 research new federal, state, or local requirements, or cost out proposed repairs or enhancements. It may
2 develop certain parts or all of a proposed budget. The board could appoint several committees, each
3 with a different task – reviewing or development of the reserves; updating contractual costs; researching
4 potential utility increases. Once the committee completes their tasks, the manager could then develop
5 the proposed budget.

6 The association will require additional time to develop the budget if using a committee system. This
7 method also requires more of the manager’s resources, as the committee members will need the
8 manager’s assistance to obtain necessary data and possibly to analyze that information. Therefore, we
9 recommend that the association begin at least 4 months prior to the budget due date when using the
10 committee method.

11 ***Statutory and Administrative Code Requirements & Guidelines for Community Association*** 12 ***Budgets***

13 Florida Statutes and the Florida Administrative Codes provide certain requirements for budgeting and
14 financial management. You can find Appendix A and Appendix B online the primary sections of statutes
15 and administrative codes for condominiums, cooperatives, and HOAs that govern budgeting and financial
16 management at www.goldcoastschools.com on our “Downloads” page. You should review this
17 information carefully for your associations. Note that the statutes also include definitions and other
18 references to budgeting and financial statutes that you may find helpful.

19 ***Condominiums:***

20 F.S. 718.112(2) (e), F.S. 718.112(2) (f), F.A.C. 61B-22.003 and F.A.C. 61B-22.005 provide the basic
21 requirements for budgets. Condominiums must provide for certain expenses in the proposed budget,
22 unless the service is not offered by the association. These include:

- Administration of association
- Management fees
- Maintenance
- Insurance
- Other expenses
- Reserves
- Rent for recreational & other commonly used facilities
- Taxes upon association property
- Taxes upon leased areas
- Security provisions
- Fees payable to the division
- Operating capital

23 Unless the item does not apply. For instance, if the association does not have a manager or management
24 company, it will not include management fees. **Note that the association must include reserves in**
25 **the proposed budget.** We will discuss waiving the reserve at a later point.

26 These sections define the procedures for developing the budget and reserve, providing it to the owners,
27 and passing the budget and reserve. The association must provide each owner with a copy of the
28 proposed budget and reserve no less than 14 days prior to the meeting at which the association will
29 consider the budget. Usually, the board votes on the annual budget, although some associations may
30 require a vote by the owners. If the association wants to waive or partially fund the reserves, it must hold
31 a special owners meeting prior to the budget meeting. At that meeting, the owners cast votes to waive
32 or partially fund reserve. Owners may vote by limited proxy or in person. If the association has not fully
33 funded reserves, the association must publish a statement with the budget, alerting owners that the lack
34 of reserves may result in future special assessments.

1 **Cooperatives**

2 F.S. 719.106, F.A.C. 61B-76.003, and F.A.C. 61B-76.005 provide the basic requirements for budgets.
3 Condominiums must provide for certain expenses in the proposed budget, unless the service is not
4 offered by the association. These include:

- Administration of association
- Management fees
- Maintenance
- Insurance
- Other expenses
- Reserves
- Rent for recreational & other commonly used facilities
- Taxes upon association property
- Taxes upon leased areas
- Security provisions
- Fees payable to the division
- Operating capital

5 Unless the item does not apply. For instance, if the association does not have a manager or management
6 company, it will not include management fees. **Note that the association must include reserves in**
7 **the proposed budget.** We will discuss waiving the reserve at a later point.

8 These sections define the procedures for developing the budget and reserve, providing it to the
9 shareholders, and passing the budget and reserve. The association must provide each shareholder with
10 a copy of the proposed budget and reserve no less than 14 days prior to the meeting at which the
11 association will consider the budget. Usually, the board votes on the annual budget, although some
12 associations may require a vote by the shareholders. If the association wants to waive or partially fund
13 the reserves, it must hold a special shareholders meeting prior to the budget meeting. At that meeting,
14 the shareholders cast votes to waive or partially fund reserve. Shareholders may vote by limited proxy
15 or in person. If the association has not fully funded reserves, the association must publish a statement
16 with the budget, alerting shareholders that the lack of reserves may result in future special assessments.

17 **Homeowners Associations**

18 F.S. 720.306 provides the basic requirements for budgets. The budget must reflect the estimated
19 revenues and expenses for that year and the estimated surplus or deficit as of the end of the current
20 year. The budget must also set out separately all fees or charges paid for by the association for
21 recreational amenities, whether owned by the association, the developer, or another person. The
22 association must give owners notice of the budget meeting and either provide a copy of the budget or
23 advice that a copy is available without charge upon request.

24 The budget may include reserves,⁷ which must be determined, maintained, and waived by the owners,
25 as specified by statute. If the association has not fully funded reserves, the association must publish a
26 statement with the budget, alerting owners that the lack of reserves may result in future special
27 assessments, and that owners can elect to establish a reserve by a majority vote of all owners.

28 **Accounting Software**

29 Many management companies have developed proprietary software packages that integrate financial
30 and management information. When an association hires a company with such software, the firm will
31 import financial data into its system, and produce reports to the association. If the association terminates
32 its relationship with that management company, depending upon the contract, it may only receive paper
33 copies of financial data, and not an electronic file. This is because the software is proprietary.

34 To facilitate recording, maintenance, and retrieval of accounting information, an association may want to
35 purchase its own financial software. Software packages specifically tailored for condominium

⁷ If reserves have previously been included in the budget, they can only be waived by a majority vote of members at a duly called and quorumed meeting. To add an item to the reserve required a majority TVI,

1 associations are readily available. Gold Coast Professional Schools cannot recommend specific
2 software. An association can contact its CPA, or other software experts to assist with selecting the
3 appropriate software. Many of these packages are very sophisticated and provide real time data. Others
4 are less flexible, and cannot provide tailored reports. Some integrate with other programs, such as
5 Microsoft WORD. The association should carefully evaluate what its software needs are before
6 purchasing a program. Costs of programs vary from a few hundred dollars to several thousand dollars.
7 Regardless of the program selected, the association should include monies in the budget to keep the
8 license current.

9 Some of the commonly used software includes:

- 10 ▪ QuickBooks
- 11 ▪ TOPS
- 12 ▪ CAI Treasurer
- 13 ▪ C3 Software by ATG
- 14 ▪ Peachtree Accounting Software
- 15 ▪ Run Property Management Software & Webrunner
- 16 ▪ Asset and Property Management Software by Yardi Systems
- 17 ▪ Jenark Property Management Software
- 18 ▪ Quicken for Property Managers

19 ***Good Management & Financial Practices***

20 Associations of all sizes are vulnerable to fraud, embezzlement, and mismanagement. Therefore, it is
21 particularly important that an association have management systems in place. This would include a
22 comprehensive inventory of equipment, personnel policies, descriptions for officers and staff, records
23 retention policies and so on.

24 The association should also maintain its accounting records according to generally accepted accounting
25 practices (GAAP). These are not a fixed set of rules. They are guidelines or, more precisely, a group of
26 objectives and conventions that have evolved over time to govern how financial statements are prepared
27 and presented. The Financial Accounting Standards Board, the American Institute of Certified Public
28 Accountants, and the Securities and Exchange Commission provide guidance about acceptable
29 accounting practices.

30 Compliance with GAAP helps maintain creditability with creditors and stockholders because it reassures
31 outsiders that an association's financial reports accurately portray its financial position. Certified public
32 accountants routinely audit companies to determine if their financial statements are prepared according
33 to GAAP.

34 To the association, this means that it should preserve the accounting records in sufficient detail, so that
35 when an owner or other interested party inspects the records, that individual can determine the assets,
36 liabilities, cash flows, as well as all of the revenues and expenses of the association. Good accounting
37 practices also include controls to protect the financial assets of the association.

1 Providing Access to Financial Records⁸

2 The Condominium, Cooperative, and HOA Acts provide that certain records, including accounting
3 records, are open to inspection by any owner/shareholder or authorized representative, with reasonable
4 notice and at reasonable times. The association may not charge a fee for merely permitting an individual
5 to access the records. If an owner/shareholder sends a written request for access to the records to the
6 association, it must make the records available within:

- 7 ▪ five (5) working days (condominium/cooperative)
- 8 ▪ ten (1) working days (HOA)

9 If the association fails to make the records available within 10 days, the association is presumed to have
10 willfully withheld the records. In a condominium, after two certified return receipt requests, the owner
11 may ask the DBPR to subpoena the records.⁹

12 Note that the unit owner/shareholder or authorized representative also has the right to make or obtain
13 copies from the association. The HOA Act has clear guidelines as to the number of pages that an owner
14 may copy at the time of inspection and the charges for those copies. The Condominium & Cooperative
15 Acts only state that the fee must be reasonable.

16 Associations may adopt reasonable, clear, and understandable rules addressing:

- 17 ▪ Location where the records may be inspected or copied.
- 18 ▪ Time of access (must include reasonable working hours)
- 19 ▪ Manner of inspecting the accounting records, including whether a designated individual must be
20 present during inspection, if records can be removed for copying, etc...)
- 21 ▪ How unit owners should provide the association with notice for requesting access (e.g., if the
22 notice must be written, certified mail, to whom the notice should be given, what information the
23 notice must contain, etc.)
- 24 ▪ Frequency of access, reasonable restrictions on number of times per week or month that access
25 will be granted

26 Differences between Operating & Reserve Budgets

27 Before we develop our budget, we need to understand that an association usually has two basic sections
28 to its budget: Operating & Reserves.

29 Operating budget: identifies categories of expenses (referred to as “line items”) for the day-to-day
30 activities of the association. These expenses are anticipated to occur on a regular basis – weekly,
31 monthly, quarterly, or annually.

- 32 ▪ The monies allotted to each line item are approximations of what the association anticipates
33 spending for a particular category, during that specific budget period
- 34 ▪ The board can adjust operating line items throughout the year to reflect changes in the
35 association’s circumstances.

⁸ **Note:** If the association fails to allow unit owners access to the records, the statutes provide for certain remedies, which may include monetary damages for the unit owner.

⁹ DBPR will most likely refer to arbitration.

- 1 ▪ Examples of line items in operating budgets include:
- 2 ○ Salaries
 - 3 ○ Office Equipment
 - 4 ○ Postage
 - 5 ○ Legal fees
 - 6 ○ Taxes
 - 7 ○ Insurance
 - 8 ○ Landscaping
 - 9 ○ Government Fees & Charges
 - 10 ○ Tree trimming
 - 11 ○ Office Supplies
 - 12 ○ Management fees
 - 13 ○ Accounting Fees
 - 14 ○ Utilities
 - 15 ○ Fees to the Division
 - 16 ○ Bad Debt
 - 17 ○ Parts & Supplies
 - 18 ○ Swimming Pool
 - 19 ○ Elevator Service
- 2 ▪ The operating budget may be very detailed for a large association, or have only a few operating
3 line items, for a small association.
- 4 Reserve budget: consists of monies restricted for specific purposes. DBPR defines reserves as “any
5 funds, operating, that are restricted to deferred maintenance and capital expenditures” and any other
6 funds restricted as to use by the association or its documents.
- 7 ▪ The Reserve may include funds only for projects anticipated to occur less often than annually –
8 that is, it is a multi-year plan for specified items.
- 9 ▪ It may also include monies for unexpected expenses – such as hurricane clean-up, or insurance
10 deductibles.
- 11 ▪ The Condominium and Cooperative Act require that associations include in their proposed budget
12 reserves for:
- 13 ○ Painting
 - 14 ○ Pavement resurfacing
 - 15 ○ Roof replacement
 - 16 ○ Any deferred or capital maintenance item anticipated to cost more than \$10,000. This
17 may include items such as concrete restoration, pool refurbishment, etc.
- 18 ▪ As opposed to operating accounts, an association may use reserves only for the items in the accounts
19 identified, unless otherwise determined by the unit owners.

20 In the remainder of this course, we will discuss operating and reserve budgets in depth.

21 ***Budget Development***

22 ***Objectives***

23 All community associations have three basic objectives:

- 24 • Preserve, protect and enhance the value of the community and its assets
- 25 • Enhance the lifestyle of community
- 26 • Provide a harmonious community

27 Note that no objectives states: “Keep assessments low.” An association that focuses on maintaining
28 unreasonably low assessments is probably neglecting the property and, at some point, will face special

1 assessments to repair and replace components. Furthermore, most experts agree that properly
2 conducted preventive maintenance is less costly than corrective maintenance. Associations which do
3 not properly maintain components and property are not fulfilling their responsibility to “preserve, protect
4 and enhance the value” of the community and its assets.

5 In addition, the association should adopt objectives that define any special projects during the proposed
6 budget year and that summarize key activities. While the association may not develop an objective for
7 every line item, it should include objectives with the budget. Throughout the fiscal year, the association
8 will report to the owners the status of the objectives, and monies spent to achieve them.

9 Example: Landscaping: replace annuals 3 times a year, at a cost of approximately \$3,600 per
10 replacement

11 Not all objectives will relate directly to the budget. For instance, condominiums might hire an engineer
12 to assess certain major building components. That assessment would become the basis for the reserve
13 and for any major projects in the proposed budget year. The objective for this might state:

14 • Engineer Survey:

- 15 ✓ Develop bid specifications for engineer to evaluate major building components
- 16 ✓ Select engineer
- 17 ✓ Review engineer’s report and incorporate findings into reserve
- 18 ✓ Fund special projects in proposed budget, if necessary, based upon engineer’s report

19 The association may find it helpful to delineate objectives on a monthly basis, or by category, or using a
20 combination of both. The board may wish to estimate a committee to develop these objectives. If the
21 board has a budget committee, identification of objectives may be part of its purview. The board could
22 also survey owners/shareholders to ascertain potential objectives. Regardless of the method used, the
23 association should establish its objectives before developing the budget.

24 Appendix A provides an example of an association’s objectives for a fiscal year.

25 ***Purpose of Operating Budget***

26 The main purpose of the operating section of the budget is to show the categories of expenses (usually
27 called line items) that relate to the day-to-day operation of the association, and indicates the amount to
28 be expended in each. It also identifies the revenues the board estimates it will need, and the sources of
29 those revenues. While budgeting is not a simple process, the more accurate and complete the
30 accounting records are, the more readily information can be reviewed and projections for the proposed
31 budget made. Associations that budget properly for common expenses will lessen financial hardships
32 from special assessments. While special assessments occur due to insufficient reserve funding, they
33 also are necessary when the estimated operating expenses are insufficient. When properly projected,
34 the budget will help the association fulfill its obligations, monitor the association’s financial progress, and
35 help owners/shareholders understand what is planned for the upcoming year.

36 ***Information Required to Properly Develop the Budget***

37 ***Estimating the Association’s Operating Expenses***

38 Many accountants advise that the most reliable information to project the next year’s funding
39 requirements come from reviewing current budget to actual expense and actual performance from prior
40 years. We recommend that the association examine a minimum of 3 years days, although 5 to 7 years
41 of actual data will provide a clearer picture of potential problems. In looking at the historic data, some of
42 the items the association will want to identify include:

- 1 • trends in income and expenses (Example: if garbage costs have increased about 5% each year, and
2 no other data is available on garbage increases, the line item should be increased a minimum of 5%)
- 3 • line items demonstrating a continued increase in expense each year (Example: A/C repairs have
4 consistently increased for the last 5 years. The association may want to consider moving up a/c
5 replacement or refurbishment)
- 6 • line items that are consistently under or over budget (Example: board has budgeted \$10,000 annual
7 for office supplies, but rarely spends more than \$3,500. This line item should be reduced to a more
8 realistic figure)
- 9 • whether the association meets its projected budget targets (Example: Association has consistently
10 required special assessments to meet operating budget needs. This indicates that the association is
11 not preparing a realistic operating budget)
- 12 • projected increases in utilities (Example: FPL announces it will increase electric costs by 4% in
13 September 2013)
- 14 • potential insurance increases (Example: Association has had 3 slip & fall cases; it should assume
15 an increase in the premium for general liability)
- 16 • increased staff costs (Examples: new employees needed; rising benefits costs)
- 17 • contractual increases (Example: Landscaping contract, executed for 2 years, includes a COLA¹⁰ of
18 4.5%)
- 19 • litigation costs (Example: association is in a dispute with a contractor. If the association loses, the
20 costs will be \$_____)
- 21 • special projects (Example: the association plans to refurbish the lobby this year, using funds set
22 aside in the reserve. The association should obtain rough estimates of the costs, so that it can
23 ascertain if additional monies are needed.
- 24 • inflation (Example: How much will costs go up in general, based upon the current inflation rate?
25 What will it affect within the association)

26 Appendix B provides background budget data for past year. Notice that some information is missing.
27 Associations change management companies, purchase new accounting software, and elect new
28 boards. Each change may lead to revisions in how budget & actual performance are reported. You will
29 need to reconcile this information among years for comparison. You should note any area where you
30 are not comfortable that line item definitions match. Appendix C provides the year to date performance
31 and projections to the end of the budget year. Review both Appendix B and Appendix C. Pay special
32 attention to trends throughout the years. Identify areas that you believe will need more research.

33 ***Contents of the Operating Section of the Budget***

34 As we noted in Financial Basics, condominiums and cooperatives have certain statutory required line
35 items. In general, however, all proposed budgets will have similar categories. We suggest the follow as
36 minimum requirements for the proposed operating budget:

- 37 • Any non-assessment revenues
- 38 • Assessment revenues
- 39 • Administration of the association (office supplies, professional fees, licenses, etc.) ¹¹

¹⁰ COLA = Cost of Living Adjustment

¹¹ Required for Condominiums & Cooperatives

- 1 • Management fees (usually a subcategory of either administration or staff)⁷
- 2 • Maintenance (commonly includes pool, landscaping & grounds, janitorial, contracts, etc.)⁶
- 3 • Rent for recreational and other commonly used facilities¹²
- 4 • Taxes upon association property⁷
- 5 • Taxes upon leased areas⁷
- 6 • Insurance^{6,13}
- 7 • Security provisions⁷
- 8 • Other expenses⁷
- 9 • Operating capital^{7, 14}
- 10 • Rent for a unit, if subject to a lease⁷
- 11 • Rent payable by the unit owner directly to the lesser or agent under any recreational lease or lease
12 for the use of commonly used facilities, which use and payment is a mandatory condition of ownership
13 and is not included in the common expenses or assessments for common maintenance paid by the
14 unit owners to the association^{7, 15}
- 15 • Fees payable to the division⁶
- 16 • Expenses for a unit owner¹⁶
- 17 • Elements limited to use by a certain group of owners¹⁷
- 18 • All estimated common expenses or expenditures stated on an annual basis⁷
- 19 • Reserve funding required for the year¹⁸
- 20 • Any special or one time projects
- 21 • Recommended budget (if different from legislatively required budget)

¹² Required for Condominiums & Cooperatives, if applicable

¹³ All community associations should carry insurance, depending upon the statutory requirements. At minimum, most associations have property, general liability, directors & officers, and Workers Compensation

¹⁴ Built in surplus for the association

¹⁵ Any facility the association uses but does not own. Example: condominium is part of large recreation association operating recreational facilities serving owners. Since owner pays assessments directly to recreation association, this expense will not be part of condominium assessment, and included for disclosure purposes

¹⁶ Required for Condominiums & Cooperatives, if applicable. Expenses owners/shareholders may incur that are *not* counted as expenses collectible through assessments, generally related to disclosures during developer control of the association. Example: maid service available on a pay as want basis, but not a common expense of the association

¹⁷ Generally refers to limited common elements used by a group of unit owners, such as a swimming pool restricted to use by penthouse residents. If the association maintains limited common elements with the cost shared by only those entitled to use them, a separate schedule or schedules must be attached that contains the same disclosures as in the budget. The schedule(s) must show all estimated expenses specific to each limited common element including reserves for deferred maintenance and capital expenditures if applicable

¹⁸ Fully funded reserves required to be included in proposed budgets for condominiums and cooperatives. HOAs must include reserves in the proposed budget, if currently funded or voted for by a majority of the total voting interest

1 All budgets must show the beginning and ending dates of the fiscal year (budget period). The budget
2 should include the association name, and detail the assessments to be paid. Generally, the budget will
3 show the assessment for the current budget year and for the proposed budget year. Note that a board
4 may develop a proposed budget, according to the statutory requirements (for instance, with fully funded
5 reserves), and provide a recommended budget (e.g., ½ or waived reserves).

6 **Comments**

7 Self-insurance: One or more residential community associations operating more than 50 unit created
8 under F.S. 718, F.S. 719, F.S. 720, F.S. 721, or F.S. 723, may to apply to the Office of Insurance
9 Regulation to form self-insurance fund for property & casualty insurance, under certain specific
10 conditions. Condominiums, cooperatives and HOAs may obtain windstorm insurance for 3 or more
11 communities created under F.S. 718, F.S. 719, F.S. 720, or F.S. 721, if coverage sufficient to cover
12 probable loss of 250-year windstorm event, as determined by competent model. The association would
13 need to disclose this to the owners.

14 Cable, Satellite TV, Internet, Telephone : In condominiums and cooperatives, if so provided in the
15 declaration, the cost of a master antenna television system or duly franchised service obtained pursuant
16 to a bulk contract must be deemed a common expense. However If the declaration does not provide for
17 this, the board may enter into such a contract and the cost of the service will be a common expense. The
18 allocation must be on a per-unit basis rather than a percentage basis. If the declaration provides for other
19 than an equal sharing of common expenses, any contract entered into before July 1, 1998, in which the
20 cost of the service is not equally divided among all unit owners, may be changed by vote of a majority of
21 the voting interests present at a regular or special meeting of the association to allocate the cost equally
22 among all units. The contract must be for a term of not less than 2 years. **Note:** If a unit owner is
23 receiving public assistance or is blind or deaf they may request that the association remove the cable
24 service and reduce their assessments by such cost.

25 Note that F.S. 718.111(11) now requires condominium to specify the deductible amount for its property
26 insurances. If the association does not pass such a motion at the time insurance is renewed, it must do
27 so at the budget meeting. Additionally, association must now pass resolutions, stating the estoppel fee
28 charge. This may also be voted upon at the budget meeting.

29 A common error is forgetting to include the time period covered by the budget. The time period covered
30 must be a statement of the *range of time* that the estimated budget will cover. Note that, if the budget is
31 revised during the year, the budget should reflect the current fiscal year, and note the date the budget
32 was revised.

33 Example:

34 A) Proposed budget for a fiscal year:

35 Del Boca Bleu

36 Proposed Budget for January 1 – December 31, 2014

37 b) Revised Budget

38 Del Boca Bleu

39 Budget for January 1 – December 31, 2013

40 Proposed revision (April 1 – December 31, 2014)

41 To the greatest extent possible, an association should maintain consistent line items in each budget and
42 year-end financial report. Consistency with line items enables year-to-year versus actual performance.

1 If the association budget has reserves, it may include a single line item, entitled “Reserves” in the
2 operating budget. The individual reserve items will be displayed in the reserve schedule and do not need
3 to be included here. If the association is providing funding for one-time or capital projects, these should
4 be included in a separate section of the budget, after an operating subtotal.

5 The budget must identify the total assessment for each unit or parcel, according to the proportion of
6 ownership, on a monthly basis or for any other period for which assessments will be due. Assessments
7 for each owner/shareholder are stated on an annual and the basis upon which they are paid. If the
8 association documents require assessments to be paid quarterly, the summary will reflect quarterly
9 payments. If the documents require monthly payments, the summary will reflect monthly payments. You
10 must review the Bylaws to ascertain when assessments must be paid.¹⁹

11 ***Exercise: Development of Operating Budget Line Items***

12 Appendix D contains the proposed operating budget for Del Boca Bleu. Appendix D includes schedules
13 developed as reference for the operated operating budget, such as salaries, contract histories, etc. Note
14 that some line items are left blank. Your task is to review the historic data and reference materials, and
15 provide an estimate for each highlighted line item. Keep this worksheet handy, as you will be entering
16 data regarding reserves and computing the monthly assessments at a later point.

17 ***Reserve Budget***

18 ***Definition of reserves***

19 Reserves are monies set aside for specific future expenditures, usually for the cost of major repairs to,
20 or replacements of, the association property. If funds are not set aside for such expenses, the association
21 will need to special assess at the time of the expenditure to pay for the repair or replacements.
22 Associations sometimes also form for other types of infrequent expenditures, such as storm clean-up, or
23 insurance deductibles.

24 When funds are segregated for a specific use, the association must comply with certain requirements,
25 including funding the reserve in the proposed annual budget, including a reserve schedule with the
26 budget, and disclosing reserve status in the year-end financial reports.

27 Reserve funds are restricted for specific purposes and may not be used for frequent or routine
28 maintenance of the association, without a vote of the owners/shareholders. Usually, the title of a reserve
29 account indicates the specific purpose for which the funds are to be used. Some associations will,
30 however, provide a brief title, and include a definition of what the reserve includes in a definitions section.
31 Some associations will develop very detailed reserve schedules, itemizing components of larger systems.
32 They then collapse these components into “systems” categories. An example, the association may have
33 a category for “interior” rehab. The detailed schedule for interior rehab might include wallpaper,
34 replacement tile, replacement carpeting, lobby furniture, etc.

35 The definition of ‘reserves’ includes the terms ‘deferred maintenance’ and ‘capital expenditure.’

- 36 • *Deferred maintenance*: any maintenance or repair that will be performed less frequently than yearly,
37 and will result in maintaining the useful life of an asset.

38 Example: Painting a building usually occurs every 5 to 7 years, depending on the weather conditions,
39 location of the building, and quality of paint. *Touch up painting* is not a deferred expense. Overhaul
40 of the generator is a deferred maintenance expense.

¹⁹ If the Bylaws are silent, condominium owners and cooperative shareholders must pay their assessments no less than quarterly.

- 1 • *Capital expenditure*: any expenditure of funds for the purchase or replacement of an asset whose
2 useful life is greater than one year, or a repair to an asset that will extend the useful life of the asset
3 for a period greater than one year.

4 Examples: Replacement of the generator; reroofing; retrofitting the pool with a solar heater

5 Again, note that each reserve category should include a clear definition. This is especially important, as
6 reserve accounts may extend over 20 years or more. If the board did not specify want “roof replacement
7 & related items” meant in 1990, the current board will not have a clear basis upon which to expend the
8 funds.

9 **Different Types of Reserves**

10 The Condominium & Cooperative Act require condominiums and cooperatives to establish reserves for:

- 11 • roofing
12 • painting
13 • paving
14 • any other deferred-maintenance or capital expenditure items expected to cost more than \$10,000

15 This clearly includes items such as concrete restoration, replacement of generators, elevator
16 modernization, etc. However, many condominiums and cooperatives have interpreted the statutes to
17 mean they must only fund painting, paving, and roofing. If an association does so, it fails to fully inform
18 the owners/shareholders of likely expenses in the future. HOAs are now required to include reserves if
19 the prior year budget included a reserve, so this principle holds true for HOAs as well. If the HOA does
20 not have reserve for its common elements, it fails to advise the owners of the true costs of residing in the
21 community. Many associations do choose to expand their reserves to include items such as insurance
22 reserves, or, as discussed earlier, “a “system” reserve.

23 A general deferred maintenance and capital expenditure reserve, or “Contingency Reserve,” established
24 to cover unanticipated operating expenses, is not appropriate in the reserve budget. This is actual an
25 operating line item, and should appear as such in the operating budget.

26 **Pooled Reserves**

27 Condominiums, cooperative and HOAs are permitted to form what is called “pooled” reserve accounts,
28 instead of, or in addition to, individual reserves. That is, an association may have a single source of
29 funds to pay for multiple categories of reserve expenses. For example, if an association establishes a
30 pooled reserve account for roof replacement, building painting, and pavement resurfacing, funds may be
31 drawn from this account to pay for any of the three items. If the association currently has traditional
32 reserves, it must obtain owner/shareholder approval to create pooled reserves. Additionally, it must get
33 owner/shareholder approval to expand funds for any items not included in the pool.

34 **Why Establish Reserves?**

35 An association's main source of income is assessments collected from owners/shareholders. When the
36 association establishes a reserve, it extends the funding of major projects over the lives of the assets.
37 This avoids large special assessments or large increases in regular assessments in a specific year.

38 **Example:**

39 Depending on the type roof, an association will reroof its building every 10 – 40 years. Del Boca Bleu
40 has a roof that requires replacement approximately every 20 years. The estimated cost of replacement
41 is \$200,000 in today's dollars. With no reserve, each of the 216 units would need to pay \$925 in a special
42 assessment – in addition to their regular assessments. If other repairs are required along with the roof,
43 that cost can escalate.

1 If, instance Del Boca Bleu collect the funds needed for roof replacement over 20 years, each owner will
2 pay an average \$3.86 per month with his or her assessment:

- 3 • $\$200,000 / 20 \text{ years} = \$10,000 \text{ per year}$
- 4 • $\$10,000 / 216 \text{ units} = \46.30 per unit
- 5 • $\$46.30 / 12 \text{ months} = \3.86 per month

6 Reserves add more accountability or control than with operating funds. The operating budget is a “plan,”
7 and, as such, is assumed to have some flexibility in what is spent. For instance, if the association budgets
8 \$5,000 for office supplies, and expends \$5,200, it may amend the budget, moving monies from an
9 overfunded line item to office supplies. With reserve, any reallocation of funds requires
10 owner/shareholder agreement. These safeguards shelter the reserve so that the monies are there when
11 needed for the capital or deferred maintenance.

12 Some boards take the approach that, by the time the roof requires replacement, many of the original
13 owners will have left, and the burden should fall to the current owners. While many managers and boards
14 believe this argument has merit, let us look at a few examples:

- 15 • a Miami Beach condominium, hard hit by several hurricanes, experience severe concrete
16 deterioration. Some balconies were in such poor condition, the City advised owners that the building
17 was structurally unsafe. The association had consistently recommended to the owners that reserves
18 be waived. Special assessment cost to the owners: average \$30,000. Additionally, the City
19 condemned the building until the association repaired the problems, thus forcing owners to rent
20 accommodations elsewhere.
- 21 • a north Dade condominium experienced concrete deterioration to the point where chunks of concrete
22 periodically fell from the catwalk. Again, the owners consistently voted to waive reserves. Special
23 assessment cost to the owners averaged \$12,000 a unit.
- 24 • a Broward association failed to perform inspections & preventive maintenance on its roofs. The
25 owners had consistently voted to waive reserves. The roofs, due for replacement at 15 years, were
26 deferred. Many of the roofs on its 15 buildings were then lost during Hurricane Wilma. Citizens was
27 able to demonstrate that, had the roofs been properly maintained and replaced on schedule, the
28 damage would have been significantly less. Citizens paid approximately 20% of the costs, with each
29 owner averaging \$7,500.

30 Some residents in these communities could not pay the assessments, and had to sell. Because of the
31 pending special assessments, the market value of units dropped, and owners/shareholders sold for less.
32 Overall, the value of the property diminished. So, the board did fail in the objective of preserving,
33 maintaining, and enhancing the property and its assets. If an association with no reserves begins to build
34 them with this year’s budget, even at partial funding, ultimately it will reduce the burden on
35 owners/shareholders at a future date.

36 ***What is Fully Funded?***

37 In condominiums and cooperatives, the statutes require that the proposed budget “fully funded.” This
38 means that the proposed budget must show sufficient funds in the reserve accounts to ensure the
39 deferred maintenance or capital expenditure may be carried out, without additional assessments.
40 Reserves are funded in today’s dollars. That is, even if roof replacement is not scheduled until 2020, the
41 reserve reflects what it would cost to replace the roof *today*. Therefore, when the association updates
42 reserve accounts during its annual budget development, it should also be updating the costs for each
43 reserve item. As an example, Del Boca Bleu roof replacement was \$200,000 when estimated in 2013.
44 In 2014, with the economy down, the new estimate may be lower – perhaps \$180,000. Immediately after

1 a hurricane, however, the \$200,000 might increase to \$250,000. So, the association must adjust the
2 reserve total each year to accurately reflect the current cost.

3 “Fully funded” also refers to the funding of the approved reserve. Once the board (or
4 owners/shareholders) has approved the budget, the reserves must be funded as the association collects
5 the revenues. That is, in a condominium, if owners pay assessments monthly, the association must fund
6 the reserve apportionment during that same period. In fact, even if every owner/shareholder does not
7 pay, the association must “fully fund” the reserve as though all owners/shareholders had paid.

8 ***Estimating Reserves***

9 Identifying all of the items for which an association should establish reserve accounts may appear
10 overwhelming. Most managers and board members are not general contractors, or painting vendors.
11 We do not generally know the costs of re-asphalting a roadway, or the difference between re-asphalting
12 and resurfacing. Nonetheless, if an association underestimates a reserve account significantly, or
13 encourages owners/shareholders to underfund reserves, substantial special assessments *will* result
14 when the association needs to complete a major project.

15 Estimates can change based upon such factors as weather, storm damage, type construction, preventive
16 and routine maintenance (or lack thereof), property location (oceanside or inland), code changes, and
17 inflation. The board must annually reevaluate these estimates to ensure the reserves will be properly
18 funded for the next budget year. We recommend that the board undertake the following steps each year:

- 19 • Inventory the association property and evaluate the condition of each item
- 20 • Examine original plans and specifications
- 21 • Review reports from owners/shareholders about repairs that need to be made
- 22 • Ascertain repairs that owners/shareholder should make, advise them of needed repairs and follow up
23 to assure they are made
- 24 • Develop and implement a preventive maintenance program
- 25 • Make necessary repairs as promptly as possible, using qualified professionals
- 26 • Talk to other board members and owners who may have special knowledge about the association
- 27 • Consult professionals such as architects, engineers, contractors, vendors and suppliers. The board
28 should consider hiring a professional engineer to perform an analysis of the condition of the facilities
29 at least every three to five years.

30 Note that the Condominium Act now requires developers to obtain an inspection report by architect or
31 engineer for buildings more than 3 stories attesting to the required maintenance, useful life, and
32 replacement costs of common elements. While the DBPR has not yet issued a definition of what this
33 may include, developers are now required to provide, under an engineer or architect seal, as to required
34 maintenance, useful life, and replacement costs of certain common element turnover. These include:

- Roof
- Structure
- Elevators
- Plumbing
- Electrical systems
- Seawalls
- Fireproofing and fire protection systems
- Heating and cooling systems
- Swimming pool or spa and equipment
- Pavement and parking areas
- Drainage systems
- Irrigation systems

- Painting

1 It is likely that the DBPR will require the association to have a report assessing these common elements
2 in the 5 year report. Note that F.S. 718 does provide for an opt-out, which must occur prior to the 5 year
3 period. The opt-out is effective only for that period, and must be repeated every 5 years.

4 We believe this is a positive development, as it will assure that owners/shareholders are better informed
5 as to realistic costs for maintaining and preserving the condominiums. We recommend that cooperatives
6 and HOAs adopt policies to provide similar reports for their communities.

7 **Reserve Studies**

8 Some associations contract for **reserve studies** in order to properly identify, schedule, and cost out
9 replacement/repair of components, or to identify defects in construction and cost out repairs.

10 A reserve study presents a current snapshot of components and equipment, and projects short and long
11 term the costs to repair, replace, or rehab components. It will provide the board with guidance on how to
12 keep association physical assets from deteriorating faster than financial assets increase. A reserve study
13 team may include an engineer, a CPA, a community association manager, or other persons qualified and
14 experienced in examining building components, determining maintenance requirements, component life
15 cycles, and costs for maintenance repairs and major projects.

16 Reserve study teams generally inspect the community and prepare a written report for the association.
17 The reserve study specialist will:

- 18 • review the association documents
- 19 • determine maintenance responsibilities (between association & owners)
- 20 • identify physical components
 - 21 ✓ an inventory of all common area items
 - 22 ✓ age & condition of components,
 - 23 ✓ current maintenance requirements
 - 24 ✓ life cycles of and cost to repair or replace common components
 - 25 ✓ preventive maintenance requirements & scheduling
 - 26 ✓ likely remaining useful life if properly maintained
 - 27 ✓ estimated cost of maintenance
 - 28 ✓ estimated replacement/repair/rehab cost
- 29 • establish if/when the association should repair, replace or rehab components and
- 30 • present the financial needs per year, and/or a cash flow plan:
 - 31 ✓ estimate what the replacements will cost (in today's dollars)
 - 32 ✓ analyze financial resources needed to maintain the common elements over time
 - 33 ✓ examine current association financial condition
 - 34 ✓ recommend an appropriate strategy to maintain items now and to fund major maintenance work
35 in the future
 - 36 ✓ advise the board how to balance the size of the reserve fund against the deterioration of the
37 common elements

38 A reserve study, in certain ways, is a report card to the owners, purchasers, lenders and others on the

1 health of the association, and reveals how the board is handling its responsibilities to protect, preserve,
2 & enhance the property, association, and assets.

3 A good reserve study will look not just at major components, such as elevators and roofs, but will examine
4 every component of a system. It then provides a plan for replacement of the system. We have shown a
5 sample of a system plan in Appendix H.

6 An association should update the study annually, to reflect changing conditions of components. For
7 instance, perhaps the team stated that the roof some not require replacement for an additional 5 years.
8 A hurricane hits and weakens the roof and the association finds it must move the replacement up in its
9 scheduled maintenance.

10 ***What is a Reserve Schedule?***

11 The reserve schedule provides certain detailed information regarding each reserve account. This
12 includes, for each item:

- 13 • All required deferred maintenance and capital expenditure reserve items.
- 14 • Estimated total useful life of each of the required items
- 15 • Estimated remaining useful life of each of the required items
- 16 • Estimated deferred maintenance or cost of capital expenditure of each of the required items
- 17 • Estimated fund balance for each item as of the beginning of the end of the current year.
- 18 • The required funding amount for the budget year for each item

19 While a reserve schedule may differ slightly in its appearance or naming system, all reserve schedules
20 must contain information and disclosures required by statute and administrative rule. This divulges
21 critical information to owners/shareholders about the long-term financial health. That is, if an
22 owner/shareholder looks at the reserve, and sees major projects coming due within a few years, and little
23 monies set aside to pay these expenses, he or she should recognize that the association will need to
24 pass substantial special assessments. The owner/shareholder can also better vote for fully funded or
25 partial reserves, or to waive reserves. We again recommend, that the association advise its members to
26 at least partially fund reserves each year.

27 ***What are the steps to prepare a reserve schedule?***

28 The DBPR issues an excellent manual, entitled “Budgets & Reserve Schedules,” which clearly outlines
29 steps in creating both segregated and pooled reserves. Because many participants have advised that
30 they found this guide helpful, we have extracted information on preparing the reserve schedules, where
31 appropriate to our course.

32 ***STEP ONE – List All Reserve Items on the Schedule***

33 Catalog all of required reserve items,²⁰ and any other deferred maintenance and capital expenditure
34 reserve items or any other reserves that the association would like to fund. Keep in mind that, if the
35 association funded the item in the current year, the board cannot unilaterally remove it. For instance, if
36 Del Boca Bleu Condominium included:

- 37 • Roof Replacement
- 38 • Elevator Repair & Modernization
- 39 • Pavement Resurfacing

²⁰ Condominiums & Cooperatives – roof, paving, painting & any item over \$10,000

- 1 • Clubhouse Roof Replacement
- 2 • Building Painting
- 3 • Walkway Improvements

4 In the current budget, it must include these same items at a fully funded level. This holds true for HOAs
5 as well. Only the owners/shareholders may remove an item from the reserve. The difference in an HOA
6 is that, if the HOA funded the reserve at a 50% level in 2013, it can recommend funding it at the same
7 level in 2014.

8 If your association wants to establish reserves for items other than capital expenditures and deferred
9 maintenance, the following information will need to be disclosed in a separate reserve schedule:

- 10 • name of each item (disclosing the intended use of the funds)
- 11 • estimated balance of each of these reserve items at the beginning of the proposed budget period
- 12 • amount of funds to be set-aside for each of these items in the current budget

13 Note that each association must use detailed titles, or include definitions for each item as part of the
14 reserve schedule.

15 Example: Roofing ⁽¹⁾

16 ⁽¹⁾ Includes major repairs, roof replacement, replacement of fascia, flashing and other roofing related
17 materials, engineering costs for roof specifications preparation, costs of permits, and administrative
18 overhead (such as notices, special financial record keeping, etc.)

19 *STEP TWO – Write Estimated Total Useful Life on the Schedule* (total life of a newly purchased asset
20 before deferred maintenance or a replacement of the item is needed.)

21 Consult with an engineer or appropriately qualified person for each item. We recommend that you update
22 these annually. You should obtain information for steps 2, 3 & 4 from the consultation or expert.

23 *STEP THREE – Write the Estimated Remaining Useful Life on the Schedule* (The estimated remaining
24 useful life of a reserve asset is the length of time a particular asset has left before deferred maintenance
25 or a capital expenditure is needed)

26 Example: The association was created in 1985. Estimated useful life for the barrel tile roof was 25 years.
27 The consultant examines the roof, and advises it has 5 more years of life, as the association has properly
28 maintained it. The estimated useful life remains unchanged at 25 years; the estimated remaining useful
29 life is 5 years.

30 *STEP FOUR – Write the Costs for Estimated Deferred Maintenance or a Capital Expenditure on the*
31 *Schedule*

32 The consultant or expert should provide you with an estimated cost. Keep in mind that costs can change
33 significantly between years. For instance, right after Hurricane Wilma, roofing costs rose dramatically.
34 In the example above, the expert estimated replacement cost at \$2 million. In 2007, the expert provided
35 a replacement cost of \$1.1 million – because demand was down; roofing prices were lower and more
36 stable.

37 *STEP FIVE – Write the Estimated Fund Balances on the Schedule* (The estimated fund balance is the
38 amount of money that should be in the reserve account.)

39 This is the balance you expert to have at the end of the current fiscal year in a specific account, including
40 any interest.

41 Example: Let us return to the roof example. The association has been paying ½ the reserve amount

1 into the roof reserve since 1986. The required funding has changed over the years (mainly increasing);
 2 the fund balance does not total \$550,000. Additionally, this roofing reserve includes major repairs.
 3 Therefore, the anticipated balance at the end of the year is \$379,000.

4 *STEP SIX – Compute the current year funding requirements and write the requirements on the Schedule*
 5 (The current year funding requirement is the amount of money that must be deposited in the reserves
 6 during the year. This amount should ensure sufficient funds are available when it is time to do the deferred
 7 maintenance or a capital expenditure.)

8 Example:

9	Cost to replace the roof =	\$1,100,000	
10	Anticipated EOY ²¹ Balance =	\$ 379,000	subtracted from Cost to Replace
11	Balance Needed =	\$ 721,000	
12	Years Remaining for Funding =	5	
13	Amount this year (Full Funding) =	\$ 144,200	Balance divided by remaining years

14 The \$144,000 is what the association needs to include as full funding for the roof in 2014. Appendix E
 15 provides a chart of a proposed reserve, with a step-by-step approach to figuring the amount.

16 ***Segregated Method***

17 In the segregated method, each item is calculated separately. That is roof, paving, painting, elevator,
 18 etc.; all appear separately on the schedule. The amount required for the year for each item is added
 19 together, and the total entered into the budget as the fully funded amount.

20 Occasionally, an association may have a negative (less than zero) balance in a reserve category. This
 21 occurs when the association spent more from that category than was available. The association will
 22 need to repay the negative amount during the proposed budget year, unless the owners vote to waive
 23 repayment and transfer funds from other reserve categories.

24 ***Adjusting the Schedule***

25 As noted above, changes will occur from year to year. The association should adjust the schedule on an
 26 annual basis to assure that the reserve accounts are as accurate and up to date as possible, based upon
 27 professional estimates and examination of the condition of each component.

28 ***Preparing the Pooling Schedule***

29 The pooling method requires that the fund have sufficient funds over the period to pay for items as they
 30 come due. That is, the aggregate cash may not be less than what would be needed within a specific
 31 period for the pooled item. This method also prohibits using any type of balloon funding. It requires
 32 associations to identify the same information for each item as the association would for the segregated
 33 method. Appendix J provides an example of

- 34 • segregate reserve schedule
- 35 • the same schedule with pooled reserves

36 The schedule of deferred maintenance and capital expenditure reserve items for the pooling method
 37 includes the same items that are required for the segregated method as follows:

- 38 • All Required Deferred Maintenance and Capital Expenditure Reserve Items.

²¹ EOY = End of Year

- 1 • Estimated Total Useful Life of Each of the Required Items.
- 2 • Estimated Remaining Useful Life of Each of the required items
- 3 • Estimated Deferred Maintenance or Cost of Capital Expenditure of Each of the Required Items
- 4 • Estimated Total Fund Balance for the Pooled Reserves as of the beginning of the proposed budget
- 5 year (end of the current year)
- 6 • The Required Funding for Proposed Budget Period for the Pooled Reserves

7 Required funding for the pooled reserves is the annual deposit that will be required, based on the current
8 reserve analysis, to ensure that sufficient funds are there when an anticipated expenditure need to occur.

9 We have included the steps for preparing a pooled reserve below. Note that, where a step is the same
10 as for creating segregated reserves, we have not included an explanation.

11 *STEP ONE – List All Reserve Items on the Schedule*

12 *STEP TWO – Determine the Estimated Total Useful Life of Each Item in the Pool*

13 *STEP THREE – Determine the Estimated Remaining Useful Life of Each Item in the Pool*

14 *STEP FOUR – Determine the Number of Columns in the Projected Annual Cash Outflows Section of the*
15 *Table*

16 Each column in the projected annual cash outflows section of the table represents one year to be included
17 in the analysis. The analysis must include at least the number of years (columns) equal to the longest
18 remaining life of any item in the pool.

19 *STEP FIVE – Enter Costs for Estimated Deferred Maintenance or Capital Expenditure of Each Item in*
20 *the Pool*

21 You will enter the amount of monies needed in a specific year for a specific item. For instance, if the roof
22 is to be replaced in year 7, you will enter the total roof replacement cost in year 7. If the elevator requires
23 modernization in year 5, you will include the total cost of that item in year 5.

24 *STEP SIX – Enter the Estimated Beginning Cash Balance for Year 1*

25 Determine the estimated fund balance of the reserve pool (EOY). This is similar to what we did in Step
26 Five of segregated reserves, only it totals all funds available.

27 *STEP SEVEN – Compute Annual Reserve Requirement*

28 Calculate the minimum annual deposit that, based on the reserve analysis, will ensure that the reserve
29 pool will not have a negative Ending Cash Balance.

30 You should refer to the Condominium, Cooperative and HOA Acts and the administrative codes, as
31 applicable, for specific details and requirements for segregated and reserve funds.

32 **Comments on Using Reserves**

33 **As stated earlier, an association may only use reserves for those purposes as outlined in the**
34 **reserve schedules.** Further, in condominiums and cooperatives, reserves must be fully funded in at
35 least the same frequency as assessments are due. (If assessments are due monthly, reserves must be
36 funded monthly.) If one or more unit owners have not paid assessments, the association must fund the
37 full amount of the reserves included in the adopted budget. No deduction may be taken for uncollected
38 assessments.

39 Reserve funds and interest earned on the reserve fund as allocated to a specific reserve may be used
40 by the board as long as they are spent for the same purpose for which they were collected. Reserves

1 cannot be used for any purpose other than the designated purpose unless approved in advance by a
2 majority vote of those present at a duly called & quorumed meeting.

3 Unallocated interest income earned on a reserve account may be used only for those reserve account
4 purposes that have been established. (i.e., unallocated interest may not be used to refinish a pool unless
5 a reserve account exists specifically for pool refinishing.)

6 The Condominium, Cooperative and HOA Acts prohibit commingling reserve funds with operating funds
7 except for investment purposes. If funds are combined, they must be accounted for separately according
8 to the purpose for which they were collected. At no time may the total funds in the combined account be
9 less than the amount identified as reserve funds. Also no manager, agent, employee, officer or director
10 may commingle personal funds with the association funds at any time whatsoever.

11 The investment of the reserve funds comes under the fiduciary responsibilities of the board. The board
12 should invest the money with the objective of growth, but should also consider the safety of the
13 investment. The board must also consider the liquidity of the investment because the association may
14 need to access the reserve funds without delay.

15 **Exercises:**

16 Review the appendices carefully. Calculate a reserve for the following items, using the staggered
17 method:

Item	Useful Life	Remaining Useful Life	Replacement Cost	Balance as of 12/31/2013	Amount Required in 2014
Roof	15	10	\$ 350,000	\$ 162,000	
Elevator Mod	25	15	500,000	227,000	
Paving	10	8	150,000	30,000	
Painting	7	6	200,000	17,000	
Pool Refurb.	12	5	50,000	35,000	
Total			1,200,000	471,000	

18 Using the schedule above, calculate the reserve schedule using the pooled method (see blank appendix).

19 **Assessments**

20 **How Do I Compute the Assessments?**

21 Before the association calculates the assessments, it needs three pieces of data:

- 22 • How assessments are allocated among the units.
- 23 • The number of units or parcels in the association.
- 24 • How often the assessments are to be collected

25 How assessments are allocated among the units is found in the documents. Most associations either
26 assess by square footage of the unit versus total unit square footage, or equally for all units. You may
27 find *condominiums* before April 1, 1992 that use a different allocation. Note that HOAs may use any
28 method as long as it is stated in the documents.

29 The number of units or parcels, again, should be clearly stated in the documents. Occasionally you may
30 find an association where the actual number of units is inconsistent with the documents. In such cases,
31 the association attorney should verify the legal basis for number of units and allocation of assessments.

1 Lastly, the association documents should state the frequency upon which assessments are to be
2 collected. In condominium and cooperatives, if the documents are silent, the association must collect
3 assessments no less often than quarterly. In HOAs, the assessments must be collected at least annually.

4 Once the association has this information, it can compute assessments. The formula for calculating the
5 per unit assessment is as follows:

- 6 • Total Operating Expenses – Other Anticipated Revenues = Total Amount to be Assessed.
- 7 • Total Amount to be Assessed x Ownership Share = Total Assessment Per Unit.
- 8 • Total Assessment Per Unit / Frequency of the Assessment = Periodic Assessment Monthly,
9 Quarterly, Etc.).

10 Once the association has computed the annual and periodic assessments for each unit, it must place
11 them on the operating section of the budget. Once this is finished, the budget is complete, and ready for
12 distribution and adoption.

13 **Exercise:**

14 Finalize the budget provided in the appendices, and calculate the assessments. Note: there is more
15 than one correct answer. Your budget is based upon your previous calculations.

16 **Adoption of the Budget**

17 The Condominium, Cooperative, & HOA Acts do not provide specific requirements on the budget
18 approval process. Most association documents provide the board with the authority to adopt the budget,
19 but some reserve this right to the owners/shareholders. Some documents grant the board the authority
20 either to approve the budget or to have the owners/shareholders approve it.

21 The statutes do have requirements for presentation of the budget to the owners/shareholders. In
22 condominiums and cooperatives, the association must provide the proposed budget, including fully
23 funded reserves as reflected on a reserve schedule, to all owners/shareholders, no less than 14 days in
24 advance of the budget meeting. The association may mail or hand deliver the budget package to each
25 owner/shareholder. It must also post the notice of the budget meeting no less than 14 days prior to the
26 meeting, unless there is no conspicuous place on the property to post the notice. To show that the
27 association complied with the 14-day notice, an affidavit must be executed by the person who provided
28 notice of the meeting, and it must be filed with the association's official records. Note: It is usually
29 presented at the budget meeting. Condominiums & cooperatives must include detailed agendas as part
30 of the notice. Many associations may include a cover letter, stating objectives, and explaining significant
31 changes in the budget, if any. An association may include a second (recommended) budget that waives
32 or reduces reserves, or otherwise proposes changes from the fully funded reserve budget.

33 In an HOA, F.S. 720.303(2) (c) 2 states, in part, that an assessment may not be levied "*unless the notice
34 of the meeting includes a statement that assessments will be considered and the nature of the
35 assessments. Written notice of any meeting at which special assessments will be considered or at which
36 amendments to rules regarding parcel use will be considered must be mailed, delivered, or electronically
37 transmitted to the members and parcel owners and posted conspicuously on the property or broadcast
38 on closed-circuit cable television not less than 14 days before the meeting.*" Some attorneys have taken
39 this to mean that, if the assessment in the annual budget is unchanged, the board may give only 48 hours
40 notice. Note that the association must hold a special owners meeting to change or waive the reserve,
41 which requires a minimum of 14 days notice. We recommend that the board provide 14 days notice, and
42 provide copies of the budget package to all owners.

43 Regardless, the association should assure that it:

- 44 • Explains any major projects that are planned for the year and why they need to be done.

- 1 • Explains large variances from the prior year’s budget, especially if the association has a column that
2 lists the prior year’s budgeted amounts next to the proposed amounts.
- 3 • Explains hard-to-understand line items.
- 4 • If the decision is made to present a vote to the owners to waive or reduce the funding of reserves,
5 explains clearly what happens when reserves are not fully funded
- 6 • If the decision is made to present the vote to waive or reduce reserve funding, include a **written**
7 disclosure of what assessments will be with and without reserve funding.

8 **Board Approved Budget**

9 **Condominium/Cooperative**

10 If the Board approves the budget, the association will provide a notice of a board meeting. If a
11 condominium or cooperative wishes to waive or reduce reserves, it must also hold a special owners
12 meeting, at which the owners will consider the reserves. This is a separate meeting and usually precedes
13 the board meeting. The association must provide limited proxies for owners who wish to vote but cannot
14 attend the meeting. All limited proxies the association receives count toward a quorum and must be cast
15 as marked. Statutes require a quorum of the voting members to establish a quorum. A majority of those
16 present at a quorumed meeting may then waive or reduce reserves. If a quorum is not achieved, the
17 association cannot waive or reduce reserves.

Examples	Total Members	220	220	220
	Quorum	111	111	111
	In attendance	30	50	25
	Proxies	<u>90</u>	<u>100</u>	<u>30</u>
	Total	120	150	75
	Minimum Vote	61	76	N/A

18 **Homeowner Association**

19 If the Board approves the budget, the association will provide a notice of a board meeting. If it has a
20 reserve, and wishes to waive or reduce reserves, or if it wishes to create a reserve, it must also hold a
21 special owners meeting, at which the owners will consider the reserves. This is a separate meeting and
22 should precede the board meeting. The association must provide proxies for owners who wish to vote
23 but cannot attend the meeting. To show that the association complied with the 14-day notice, an affidavit
24 must be executed by the person who provided notice of the meeting, and it must be filed with the
25 association’s official records. All proxies the association receives count toward a quorum and may be
26 cast by the holder as he or she wishes. It requires a quorum of the voting members to establish a quorum.
27 A majority of those present at a quorumed meeting may then waive or reduce reserves. If a quorum is
28 not achieved, the association cannot waive or reduce reserves.

Examples:	Total Members	220	220	220
	Quorum ²²	66	66	66
	In attendance	30	50	25
	Proxies	<u>40</u>	<u>100</u>	<u>15</u>
	Total	70	150	40
	Minimum Vote	21	45	N/A

²² Quorum is usually 30% unless a lower number is provided in the documents.

1 **Condominium/Cooperative/HOA Board meeting**

2 After the member meeting, the board will then discuss and vote on the budget. Note that the board may
 3 make adjustments at the budget meeting, increasing or decreasing operating line items. It may not adjust
 4 the reserve.

5 **Unit Owner Approved Budget**

6 The unit owner meeting notice, agenda, and a copy of the proposed budget package must be mailed or
 7 hand-delivered to each unit owner at least 14 days prior to the meeting. In addition, the notice and
 8 agenda are to be posted in the designated location on the property. If there is no property to post the
 9 notice on, the posting requirement does not apply. To show that the association complied with the 14-
 10 day notice, an affidavit must be executed by the person who provided notice of the meeting, and it must
 11 be filed with the association’s official records.

12 We have included an example of a budget package in the appendices.

13 **After the Budget Is Approved**

14 After the board has given the proposed budget to the unit owners, held a meeting to adopt the budget,
 15 and adopted it, the board must now ensure that the minutes of the meeting at which the budget was
 16 adopted reflect the adoption of the budget, and that copies of the proposed *and* adopted budgets are
 17 maintained as part of the financial records of the association.

18 **Condominium/Cooperative – Budget Exceeds 115 Percent of Prior Year’s Assessments**

19 If a board adopts a budget, which increases assessments more than 15 percent over the prior year’s
 20 assessments, the Condominium and Cooperative Acts provide that 10 percent of the voting interests are
 21 entitled to petition the board to call a special unit owner meeting to reconsider and enact a new budget.
 22 However, the association must exclude certain items the current year *and* the prior year budgets:

- 23 • Reserves
- 24 • Anticipated expenses not expected to be incurred on an annual basis
- 25 • Assessments for betterments to the property

26 After subtracting these three items from both budgets, divide the current year total assessment by the
 27 prior year total assessment. The resulting percentage will tell you whether the current year budget is
 28 more than 115 percent of the prior year budget (15 percent increase). The following examples illustrate
 29 this calculation:

	Current Year	Proposed Budget
Total Budget	1,200,000	1,400,000
Less other revenues	25,000	40,000
Assessments	1,175,000	1,360,000
Less reserves	65,000	75,000
Less capital projects	<u>10,000</u>	<u>0</u>
Balance Assessments	1,100,000	1,285,000
Difference		185,000
% Change		15.6%

30 If the association receives a petition with 10% or more signatures from owners/shareholders, it must call
 31 a meeting within 30 days, giving 14 days notice. At that meeting, it must present a budget that does not

1 exceed the 15%. Owners/shareholders vote to accept or reject this substitute budget. If there is no
2 quorum (including proxies) or the owners/shareholders do not have a majority vote to adopt the substitute
3 budget, the original budget as proposed stands.

4 ***Publication of the Budget***

5 Now that the budget has been passed, the association should send a notice to all owners/shareholders,
6 advising that the budget is official, and advising of the assessments for the coming year.

7 ***Special Assessments***

8 Special assessments are levied for expenses over those anticipated in the annual budget. Special
9 assessments may be adopted by the board unless the governing documents provide others wise.

10 The board must identify the specific purpose of the special assessment. This means that the association
11 must clearly identify the items on which it will expend funds and the estimated amount. Some attorneys
12 have taken the position that special assessments may not be increased at the special assessment
13 meeting. If a special assessment is to be increased, they opine that the association must re-notice it,
14 with detail of the new and/or amended items.

15 The association must mail or deliver notice to condominium, cooperative and HOA unit owners a detailed
16 statement describing the use of the funds at least 14 days in advance of the meeting. The notice must
17 also be posted in a conspicuous place on the property at least 14 days prior to the meeting at which the
18 special assessment will be considered.

19 ***Surplus Funds***

20 The common surplus or net income of a condominium means the excess of all receipts of the association
21 over common expenses. Unit owners have an undivided share in the common surplus of the
22 condominium association. The common surplus is for the use of the condominium association and not
23 for any individual unit owner.

24 When unit owners sell their unit, they lose any rights to the common surplus. It belongs to the ***unit***, not
25 the ***owner***. The board must decide how to allocate any surplus. Surplus income may be used to reduce
26 the following year's budget, or allocated to a reserve account. There may be income tax ramifications
27 for a surplus allocation. Surplus income from a special assessment may be refunded to the unit owners
28 or used to offset future expenses or the surplus may be allocated to a reserve account in any combination
29 of allocation decided by the board of directors.

30 ***Assessments & Collection Policies***

31 Assessments (dues, maintenance) provide for the majority of an association's operating funds.
32 Community associations can face serious problems if members do not pay assessments in a timely
33 manner. While some association documents provide clear procedures for collections, many are silent.
34 If not stated in the documents, condominiums and cooperatives must collect assessments no less often
35 than quarterly. HOAs may collect assessments annually, quarterly, monthly or on any basis stated in the
36 governing documents.

37 All associations should develop written collection policies and distribute them to the membership.
38 Components of the collections policy should include:

- 39 • Assessments & charges that members will routinely pay
- 40 • Frequency & due date for assessments
- 41 • How partial payments will be treated

- 1 • Date after which the association considers charges late
- 2 • Consequences for late payments
- 3 ✓ Late fees: The Condominium Cooperative & HOA Acts provide that an association may charge
- 4 a late fee of \$25 or 5%, whichever is greater, is stated in the documents.
- 5 ✓ Interest: The Condominium Cooperative & HOA Acts provide that an association may charge a
- 6 maximum of 18% simple interest, unless a lesser interest is stated in the documents.
- 7 ✓ Return check fees: these fees are usually based upon the amount the association bank charges
- 8 ✓ Acceleration of assessments: If permitted in the documents, a community association may
- 9 accelerate the assessments of an owner whose payment is delinquent. Accelerated assessments
- 10 must include the amount due for the remainder of the budget year. (e.g., if the unit owner's April
- 11 assessment is delinquent, the association may require the owner to pay all assessments due for
- 12 the period from April through December of that year, if the budget is prepared on a calendar year.)
- 13 ✓ Suspended privileges and amenities: if permitted in the documents, an HOA may suspend voting
- 14 rights and the right of a member to use common areas, for a reasonable time, if the owner is
- 15 delinquent has been given the opportunity to appeal the decision (see Chapter 7, Hearing
- 16 Committee)
- 17 ✓ Liens: We discuss liens below
- 18 ✓ Foreclosure: We discuss foreclosure below

19 Any communications related to the collection of delinquent assessments may be subject to the
20 requirements of the Federal Fair Debt Collections Practices Act and Chapter 559.72 of the Florida
21 Statutes. It will be necessary to consult a licensed attorney to make the determination. The association
22 must treat all members the same in the collection of assessments. If the association differentiates in its
23 collections among owners, it may lose the right to enforce the policy with any owner.

24 Monies paid by a delinquent owner are applied as follows:

- 25 • Interest
- 26 • Administrative late fees
- 27 • Attorney's fees & court costs
- 28 • Assessment

29 ***Claim of Lien***

30 An owner's unit or parcel serves as collateral for assessments due the association. An association may
31 place a lien on a unit for all unpaid assessments. In condominium cooperatives and timeshares, the
32 association must provide 30 days notice sent by certified or registered mail, return receipt, as well as first
33 class, before placing a lien. In an HOA, the association must provide 45 days notice, sent by certified or
34 registered mail, return receipt, as well as first class. If the owner resides outside of the United States,
35 the HOA or condominium may use first class mail only.

36 The lien is evidenced by recording a claim of lien with the clerk of the circuit court. In condominiums,
37 cooperatives and HOAs the claim of lien is effective from the time of recording for **one year** unless an
38 action to enforce the lien is taken. A recorded claim of lien secures all unpaid assessments that are due
39 and those that become due plus interest, costs, and attorney fees until the entry of a final judgment of
40 foreclosure.

41 A proper claim of lien must contain the legal description of the property, the property owner's name, the
42 amount and date when assessment became due. Prior to recording the lien, it must be signed by an

1 officer or agent of the association and treated with the formality of a deed (i.e., notarized and two
2 witnesses.)

3 ***Foreclosing the Claim of Lien***

4 The board of directors may bring an action to foreclose a claim of lien for unpaid assessments. The
5 action must be processed in county court unless the unpaid assessments total more than \$15,000 then
6 the lien would be foreclosed in circuit court. In Condominiums and Cooperatives, the board must give at
7 least 30 days written notice of its intention to foreclose a claim of lien or they waive their rights to attorney's
8 fees and costs.

9 An HOA must provide 45 days written notice of intent to foreclose. If the member responds with a
10 "qualifying offer," the foreclosure is "stayed" for 60 days. The member must make the offer in writing,
11 stating total amounts owed and the date by which the association will receive the total amount. The offer
12 must be witnessed by a notary. The member must send the qualifying offer by certified mail or hand
13 delivery. The association cannot charge any legal fees within the period of the stay, other than costs of
14 mortgage foreclosure, bankruptcy proceeding, or other debt proceeding gains' the other If the owner fails
15 to adhere to the qualifying offer, the HOA can immediate move to foreclose.

16 At the foreclosure, if the association has adhered to all procedures, the association may collect
17 reasonable attorney's fees and court costs. By statute, HOAs may purchase the lot or home at
18 foreclosure. If permitted in the documents, condominium and cooperatives may purchase the unit at
19 foreclosure.

20 ***Collection from Lessees (Condominium/Cooperative/HOA)***

21 **If a unit/parcel is occupied by** a tenant and the member is delinquent in paying any monetary obligation
22 due to the association, the association may make a written demand that the tenant pay to the association
23 the subsequent rental payments, and continue to make such payments until all monetary obligations of
24 the unit owner related to the unit have been paid in full to the association. The tenant must pay the
25 monetary obligations to the association until the association releases the tenant or the tenant
26 discontinues tenancy in the unit.

27 **The association must mail written notice to member of association's demand to lessee to make**
28 **payments, with a copy to lessee. Lessee must pay monetary obligation until association releases**
29 **lessee, lessee discontinues lease, or member pays balance due.**

30 **A lessee who pays association in response to a written demand from an association is immune**
31 **from any claim from member. If a lessee prepays rent to member before receiving demand from**
32 **association and provides written evidence of paying the rent within 14 days after receiving**
33 **demand, lessee:**

- 34 • shall receive credit for prepaid rent for applicable period
- 35 • must make any subsequent rental payments to association.

36 **A lessee is not liable for increases in amount of regular monetary obligations to association from**
37 **member unless lessee was notified in writing of increase at least 10 days before date on which**
38 **rent is due. Liability of the lessee may not exceed amount due from lessee to landlord. The**
39 **landlord shall provide lessee a credit against rents due to member in amount of moneys paid to**
40 **association.**

41 **The association may issue notices under F.S. 83.56 and may sue for eviction under F.S. 83.59-**
42 **83.625 as if association were a landlord under Part II of Chapter 83. F.S., if lessee fails to pay a**
43 **required payment. The association not otherwise considered landlord under Chapter 83, F.S. and**
44 **specifically has no duties under F.S. 83.51. The lessee does not, by virtue of payment of monetary**

1 **obligations, have any rights of member to vote in any election or to examine books and records**
 2 **of association.**

3 ***Financial Systems***
 4 ***Accrual versus Cash Accounting***

5 **Cash basis** accounting recognizes income and expenses through cash transactions only. There is no
 6 consideration of funds that have not been received or expenses that are to be paid. **Accrual basis** of
 7 accounting recognizes income as earned even if not received and expenses as incurred even if not spent.
 8 **The accrual basis of accounting is more accurate** in reflecting the true financial condition of an
 9 organization.

10 Example:

	Revenue	Revenue Due	Total	Expense	Expense Due	Total	Net
Accrual	50,000	N/A	50,000	35,000	N/A	35,000	+15,000
Cash	50,000	25,000	75,000	35,000	50,000	85,000	-10,000

11 Which method do you think is more accurate?

Financial and Other Reporting

12 Condominiums, cooperatives, and HOAs must prepare
 13 an annual financial report **within 90 days** after the
 14 close of the association’s fiscal year. Twenty one (21)
 15 days after the report is completed but not later than 120
 16 days after the end of the fiscal year the association
 17 must advise each unit owner at the last known address
 18 that a copy of the financial report is available, at no cost
 19 to the owner. Financial reports must be prepared as
 20 item 1, 2, 3, or 4 below:

21 Financial statements must include separate
 22 accounting records for any ancillary operations of an
 23 association. Such operations that incur expenses and
 24 generate non-assessment revenues include golf
 25 courses, laundry rooms, and vending machines.
 26 Financial statements must be prepared on an accrual
 27 basis using fund accounting in accordance with
 28 generally accepted accounting principles by a licensed
 29 Florida CPA.

30 **Fund accounting** is used when the association has
 31 more than one fund. For example, if the association
 32 has a reserve fund and an operating fund, then fund
 33 accounting will be used.

34 Financial Statements Include the Following
 35 Components:

- 36 • Accountant’s auditor’s report
- 37 • Balance sheet

Three Types of Financial Statements

Compilation:
 Prepared by a Certified Public Accountant, a compilation is limited to representing information that is provided by the management. The preparer does not audit or review the statements or underlying financial information and does not issue an opinion on the statements.

Review
 A review consists principally of inquiries of association personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit. It is also a representation of information provided by management.

Audit
 Audit standards require that the accountant plan and perform the work to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit includes examining, on a test basis, the evidence supporting the amounts and disclosures used in the financial statements. The auditor assesses the accounting principles used estimates made and evaluates the overall financial statement presentation.

- 1 • Statement of revenues and expenses
- 2 • Statement of changes in fund balances
- 3 • Statement of cash flows, direct method
- 4 • Notes to the financial statements

5 As with financial reports, detailed information regarding reserve accounts is required. Multi-
 6 condominiums may present financial statements on a combined basis so long as the statements identify
 7 revenues, expenses, and changes in fund balances for each condominium.

Financial reports must be prepared as follows:

- ✓ Under \$100,000 of receipts (coop); under \$150,000 off receipts (Condo/HOA), or less than 50 units or parcels Cash Basis
- ✓ \$100,000 > \$200,000 (Coop); \$150,000 > \$300,000 (Condo/HOA) Compilation
- ✓ \$200,000 > \$400,000 (Coop); \$300,000 > \$500,000 (Condo/HOA) Review
- ✓ \$400,000 or more (Coop); \$500,000 or more (Condo/HOA) Audit

8 A cash basis report must disclose the amount of receipts by accounts and receipt classifications and the
 9 amount of expenses by accounts and expense classifications including, but not limited to, the following:

HOA	Condominium/Cooperative
costs for security	professional and management fees and expenses
professional	taxes
management fees	costs for recreation facilities
expenses	expenses for refuse collection and utility services
taxes	
costs for recreation facilities	expenses for lawn care
expenses for refuse collection	costs for building maintenance and repair
utility services	insurance costs
lawn care	administration and salary expenses
building maintenance and repair	reserves accumulated and expended for capital expenditures
insurance	
administration	deferred maintenance
salary	any other category for which the association maintains reserves
Reserves if maintained by the association.	

1 In an HOA, if 20 percent of the parcel owners petition the board for a more comprehensive financial report
2 the association must give notice and hold a meeting of the members within 30 days of receipt of the
3 petition. At the meeting and upon approval of a majority of the total voting interests, the association must
4 prepare a financial report as outlined below regardless of any provision to the contrary in the governing
5 documents, and must provide such report within 90 days of the meeting or within 90 days of the
6 association's end of the fiscal year, whichever occurs later.

7 In a condominium, cooperative or HOA, if approved by a majority of the voting interests present at a duly
8 called meeting of the association, an association may prepare or cause to be prepared:

- 9 • A report of cash receipts and expenditures in lieu of a compiled, reviewed, or audited financial
10 statement
- 11 • A report of cash receipts and expenditures or a compiled financial statement in lieu of a reviewed or
12 audited financial statement
- 13 • A report of cash receipts and expenditures, a compiled financial statement, or a reviewed financial
14 statement in lieu of an audited financial statement

15 In a condominium, the membership may no longer waive the required financial report for longer than 3
16 years. That is if a review is required, and the owners waived this to a compilation in 2010, 2011, and
17 2012, the association must have a review for its 2013 fiscal year.

18 ***Association Investments***

19 Associations collect assessment and other revenues on a regular basis. While some have little, if any,
20 monies, left after paying routine monthly expenses, others may have a balance available for investment.
21 While the Florida Statutes and Florida Administrative Code relating to various types of common
22 associations do not restrict the types of investments that associations may use to generate a return on
23 their operating or reserve funds, Boards of directors, in determining investment policy and strategies for
24 their associations, must be guided by both Chapter 518 F.S., titled "**Investment of Fiduciary Funds,**"
25 and their own governing documents. A **fiduciary**, is one who acts in a legal role, in the best interest of
26 others. The board of directors:

- 27 • is entrusted with the management of association property;
- 28 • given the power to act on behalf of and for the benefit of association members; and
- 29 • Has a special relationship of trust, confidence, and responsibility towards said members.

30 Boards of directors have the fiduciary duty to protect, maintain, and enhance the association. Boards
31 should not keep assessments low, but should properly fund the operating and reserve budgets to meet
32 the above fiduciary duty. Occasionally, a board may have a director who is a stockbroker, banker, day
33 trader, or has another financial expertise. Before adopting recommendations from this director, the board
34 should determine if he or she has an expertise in community association finances. What is good for an
35 individual or private company is not necessarily good for an association.

36 Associations should maintain operating accounts:

- 37 • that are liquid
- 38 • in sufficient amounts to pay routine monthly invoices and potential emergencies.

39 The investment of the reserve funds comes under the fiduciary responsibilities of the board. The board
40 should invest the money with the objective of growth, but should also consider the safety of the investment
41 first and foremost. The board must also consider the liquidity of the investment because the association
42 may need to access the reserve funds without delay. Investment of reserves in HOAs is not currently
43 regulated by state law; however, the association's documents may address the accounting and reporting

1 of reserve accounts. HOAs are required to account for reserve funds according to generally accepted
2 accounting principles (GAAP).

3 The Condominium, Cooperative, and HOA Acts prohibit commingling reserve funds with operating funds
4 except for investment purposes. If funds are combined, they must be accounted for separately according
5 to the purpose for which they were collected. At no time may the total funds in the combined account be
6 less than the amount identified as reserve funds. In addition, no manager, agent, employee, officer, or
7 director may commingle personal funds with the association funds at any time whatsoever.

8 ***Record Retention***

9 Condominiums, cooperatives and homeowners' associations must maintain accounting records for a
10 period of seven years. Separate records must be maintained for each condominium. Accounting records
11 include:

- 12 ▪ Itemized records of all receipts and expenditures.
- 13 ▪ A current account for each unit.
- 14 ▪ All association audits, reviews, accounting statements and financial reports.
- 15 ▪ All contracts for work to be performed (bids must be maintained for one year.)

16 ***Taxes***

17 Every association, whether for profit or not-for-profit, is required to file an annual income tax return. A
18 corporation not-for-profit is neither tax exempt nor exempt from filing an annual income tax return. **Two**
19 **Methods of Determining an Association's Income Tax Obligation:**

- 20 • The regular method for calculating a corporation's taxes, which includes all revenues and all
21 expenses
- 22 • Exclusion of member revenue and expenses in the calculations of net income (Section 528)

23 Managers should check with the association's accountant to determine the most advantageous method.

24 The Internal Revenue Code allows the association to exclude member revenue and expenses in the
25 calculations of net income. Managers should check with the association's accountant to determine the
26 most advantageous method.

27 ***Real Estate Taxes***

28 Generally, in condominiums and cooperatives, the real estate taxes are assessed against the unit or
29 parcel owners for their share of the common expenses. Some cooperatives however may pay real estate
30 taxes as the association instead of the unit owners the unit owners. Check the association's documents.

31 In homeowners' associations having common properties or common areas, the association pays the
32 taxes; however, it may be possible for an association to eliminate the real estate tax obligations and have
33 the tax included in the individual member's tax bills by application to the county property appraiser's
34 office.

35 ***Annual Corporate Report***

36 All corporations, including every community association, must file an annual report with the Florida
37 Department of State by May 1st of each year. The report is filed on forms provided by the Department of
38 State and must contain:

- 39 • Corporate name and principal officer.
- 40 • The corporation's Federal Tax ID number.

- 1 • Name and address of each officer and director.
2 • Name and address of the registered agent.
3 All information must be current as of the date the report is executed and the report must be accompanied
4 by the appropriate filing fee.

5 ***Regulated Association Annual Fees***

6 Condominiums and Cooperatives: Each condominium and cooperative association must file and remit
7 an annual fee to the Division of Condominiums, Time Shares and Mobile Homes **must file on or before**
8 **January 1, of each year.** The current fee is **\$4** for each residential unit operated by the **association. If**
9 **the fee is not paid by March 1,** the division has a right to assess a 10 % penalty against the
10 **association. If the fee is not paid, the association is prohibited from maintaining or defending any**
11 **action in the Florida Courts.**

12 When paying the fee, the associations should provide a permanent mailing address for the association.
13 A post office box is acceptable; however, a management company address is not acceptable. The fees
14 paid to the Division must appear as a separate line item in the association's budget and not be included
15 with any other line item.

16 Homeowners' associations are not regulated by the Department of Business and Professional
17 Regulation; therefore, HOA's do not pay fees to the division. The Division, as of October 1st 2004,
18 administers and provides mediation and arbitration services to HOA's for specific disputes.

19 ***Conclusion***

20 This course was designed to provide an overview of preparing and disseminating the reserve schedule
21 and operating section of the proposed budget; collecting assessments, and the basics of financial
22 reporting. Other activities incidental to this process such as naming the reserve accounts with specificity,
23 applying general budgeting techniques, and knowing the vote required to waive or reduce reserves are
24 not included. We believe that this course should enable you to prepare simple budget and reserve
25 schedules, and set up and maintain accounting systems with which to monitor these.

26 Should you require additional assistance, you may contact Gold Coast Schools at 1-800-732-9140, or
27 write to the Director of the CAM Program, c/o Gold Coast Schools, 5600 Hiatus Road, Tamarac, Florida
28 33321.

1 **Appendix A**
2 **Sample Objectives**

3 **Annual Objectives**

4 • **Financial:**

- 5 March: Transfer roofing & other charges as appropriate from operating to reserve budget
6 Select CPA for audit of prior year finances
7 April: Complete Annual Audit, including reconciling discrepancies between special
8 assessment/insurance fund and operating budget
9 May: Amend budget to accomplish proposed projects
10 October: Being work on budget
11 November: Review engineer's report.
12 Incorporate estimates for capital expenditures/deferred maintenance into reserves
13 Provide funding for projects requiring completion current year
14 Send out notice for budget meeting
15 December: Hold budget meeting

16 • **Landscaping:**

- 17 March: Grind roots from demolished trees
18 Obtain bids for re-sodding & replanting
19 April: Re-sod and replant at selected locations
20 Obtain bids for landscaping maintenance & for tree trimming
21 May: Trim trees in preparation for hurricane season
22 Select landscaper
23 November: Complete replanting *

- 24 * Other landscape upgrades will be done in phases throughout the year due to the extent of the
25 improvements required and the costs associated with upgrades. Includes planting annual flowers 3
26 times a year, at an approximate cost of \$3,600

27 • **Community Planning:**

- 28 April: Finalize settlement with Citizens for roof repairs
29 Hire structural engineer to determine if roof trusses meet code
30 Obtain updated information on each unit owner & resident
31 Hold owner meeting to discuss proposed amendments to use restrictions & rules
32 May: If necessary, begin retrofit of roof trusses
33 Complete hurricane/disaster plan

- 1 Issue new ID for vehicles
- 2 Send proposed amendments of use restrictions & rules to attorney for final review
- 3 Send limited proxy to amend use restrictions & rules
- 4 June: File amended use restrictions & rules with Clerk of the County Court as required by
- 5 law
- 6 July: Hold 4th of July event
- 7 November: Send out 1st notice for annual meeting
- 8 December: Send out 2nd notice for annual meeting
- 9 Hold seasonal party
- 10 * As materials available: Complete replacement of roof tiles
- 11 * As required: Prepare property for hurricane; take hurricane recovery actions
- 12 • **Buildings, Streets, & Parking:**
- 13 March: Remove oversized street bumps & replace with appropriate materials
- 14 Select 4 possible light fixtures for fronts of buildings & poles
- 15 Select new numbers & letters for units
- 16 Obtain estimated for replacement of missing & existing signage
- 17 April: Replace signs
- 18 Evaluate feasibility of increasing number of guest parking spaces
- 19 Send out limited proxy for material alterations (lighting, unit numbers, parking)
- 20 May: Replace lights in accordance with vote of owners for material alteration
- 21 June: If approved by owners, obtain City approval for installation of new spaces
- 22 July: Install new spaces, and repair/repave streets, driveways and guest parking
- 23 Prepare & issue bids for engineer to perform building inspection
- 24 September: Select engineer for building inspection
- 25 November: Evaluate building engineer's report
- 26 • **Trash Collection:**
- 27 March: Schedule bulk pick up
- 28 April: Attempt to renegotiate contract with vendor to 2 times per week
- 29 May: If unsuccessful in negotiations, advise vendor of cancellation of contract effective
- 30 August 1.
- 31 Select new trash company
- 32 September: Schedule bulk pick up
- 33

Appendix B
Operating Budget Data – Background Budget Data

Del Boca Bleu Condominium
Historical Data

	Actual 2007	Actual 2008	Actual 2009	Actual 2011	Actual 2013
Ordinary Income/Expense					
Income					
60xx. Estimated Carryover					
6010 · Maintenance Assessments					1,208,076
6031 · Storage Income					12,239
6032 · House Charges					176
6050 · Screening Fees					1,100
6056 · Parking Income					16,571
6057 · Moving Fees					602
6060 · Miscellaneous Income					15,634
6065 · Fines					500
6095 · Clubhouse Rental					526
6100 · Late Fees					4,871
7010 · Interest Income					3,683
xxxx · Reserve Interest Transfer					(3,573)
xxxx · Special Assesst Interest Transfer					(4)
xxxx · Special Assessment Income					55,484
xxxx · Reserve Income					71,561
Total Income					1,387,446
Expense					
Administrative					
7505 · Legal	4,720	3,066	2,922	3,675	3,753
7510 · Accounting	11,005	11,166	12,335	12,895	17,400
7xxx · Bank fees	293	1,689	2,160	1,385	
7520 · Postage					1,121
7xxx · Copier Contract			6,743		
7xxx · Equipment Rental	2,580	1,377		1,540	
7525 · Miscellaneous Expense	1,100	1,762		2,182	
7530 · Office Expense	8,786	13,247	13,069	16,155	11,408
7560 · Licenses,Taxes, Permits	2,409	4,376	8,307	2,365	2,821
7570 · Fees to Div. of Condominiums				1,540	
7xxx · Income Taxes	16,324	14,806	5,419	1,716	11,247
7620 · Screening					1,324
Total Administrative	47,217	51,489	50,955	43,453	49,074
Contract Services					
7025 · Trash Removal	17,070	16,410	14,729	15,970	15,501
7040 · Generator	801	3,234	4,869	1,527	
7070 · Lawn Maintenance	76,985	71,223	73,140	72,494	46,080
7085 · Foliage Maintenance	7,271	5,563	4,419	5,387	5,352
7090 · Pest Control - Insects	3,840	3,540	4,850	5,858	8,338
7095 · Odor Control					1,199
7140 · Burglar/Emergency Alarm System	24,279	32,305	22,942	28,112	8,610
7150 · Water Treatment					2,398
7155 · Elevator Contract	13,215	16,209	12,033	11,469	11,784
7170 · Air Conditioning	1,078	2,250	2,204	3,534	7,811
7582 · Janitorial	148,897	130,139	121,499	120,478	86,212
7630 · Valet Services	131,563	95,825	116,017	103,677	105,691
7xxx · Gate Maintenance		731	502	3,153	
7xxx · Window Cleaning				3,600	
Total Contract Services	424,999	377,429	377,204	375,259	298,976

	Actual 2007	Actual 2008	Actual 2009	Actual 2011	Actual 2013
Insurance					
7555 · Insurance	91,071	104,957	143,484	155,769	150,375
7556 · Insurance - Flood	8,880	9,133	9,642	10,080	7,787
75xx · Insurance - Plate Glass				9,508	
Total Insurance	99,951	114,090	153,126	175,357	158,162
Repairs & Maintenance					
7110 · Fire Equipment	7,236	3,635	2,622	2,357	3,039
7130 · Building	14,667	11,125	18,293	24,248	22,789
7160 · Plumbing		9,589	5,672	6,004	4,280
7165 · Supplies	4,682	6,071	9,424	5,182	24,958
7180 · Entry System					835
7305 · Pool/Spa/Fountain	5,294	8,294	6,843	16,768	2,316
7310 · Pool Furniture/Equipment	2,400	3,668	3,113	5,396	186
7340 · Air Conditioning	16,920	12,526	23,683	15,201	8,286
7355 · Radios	834	285	873	1,187	
7625 · Uniforms	628	10	639	638	671
7xxx · Motorized Cart			5,000		
Total Repairs & Maintenance	52,661	55,203	76,162	76,981	67,360
Salaries & Benefits					
7580 · Salaries	178,427	216,919	231,999	243,697	182,624
7581 · Bonus	2,025	1,600	4,975	2,600	5,679
7585 · Payroll Taxes	20,803	16,728	15,976	20,680	15,818
7589 · Health Insurance	20,500	27,410	25,415	32,178	15,480
7557 · Insurance - Workers Comp	17,411	24,381	21,100	30,901	14,527
Total Salaries & Benefits	239,166	287,038	299,465	330,056	234,128
Utilities					
7015 · Gas/Fuel Oil	59,039	71,928	54,866	72,024	61,689
7020 · Water & Sewer	145,774	119,586	89,219	92,117	64,752
7021 · Water - irrigation	36,444	29,896	89,219	92,117	68,816
70xx · Sewage Lift Station	2,235	1,959	2,001	2,488	
7030 · Electricity	127,057	146,981	143,169	149,878	161,298
7540 · Telephone	10,915	8,907	7,009	8,822	7,358
Total Utilities	381,464	379,257	385,482	417,446	363,913
Subtotal Operating Expenses	1,245,458	1,264,506	1,342,394	1,418,551	1,171,613
7610 · Reserve Transfer					45,000
Reserve Expenses					71,561
Special Assessment Expenses					55,484
Total Expense	1,245,458	1,264,506	1,342,394	1,418,551	1,343,658

Appendix C – Year to Date Performance

Del Boca Bleu

	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sept 13	Proj Oct 13	Proj Nov 13	Proj Dec 13	TOTAL
Ordinary Income/Expense													
Income													
Cash on Hand											45,839	16,001	
6010 · Maintenance Assessments	93,662	89,316	97,977	98,894	101,004	109,340	117,017	113,748	109,499	103,012	103,347	103,347	1,240,163
6031 · Storage Income	240	660	719	555	810	973	1,145	1,016	1,483	1,370	897	897	10,766
6032 · House Charges		10					16	40	211	41			318
6050 · Screening Fees	100	100	400		200	485	(112)	200	(145)				1,228
6055 · Estoppel/Quest. Fees						500	350	225	150	100			1,325
6056 · Parking Income	258	580	900	1,140	1,515	1,565	1,508	1,196	1,698	962	1,132	1,132	13,586
6057 · Moving Fees	50	50	350	150	150	550	850	100	(500)	100			1,850
6060 · Miscellaneous Income	714	65						85	50	55	97	97	1,162
6062 · Returned check fees								50					50
6065 · Fines			50										50
6070 · Vending machine income	51	66	40	39		46	112	56		64	47	64	586
6095 · Clubhouse Rental		50	65			50		200	50				415
6100 · Late Fees			100	101	159	440	150	500	425	300	218	218	2,610
7010 · Interest Income	741	2	675		3	2	2			59			1,484
Total Income	95,816	90,899	101,276	100,879	103,841	113,951	121,038	117,416	112,921	106,063	151,577	121,755	1,275,593
Expense													
Administrative													
7505 · Legal	(275)	601	2,749		3,220	(793)	2,034	912	2,557	298	1,130	1,130	13,564
7510 · Accounting			3,600				2,295			425	250	250	6,820
7515 · Bad Debts					50			176					226
7520 · Postage	(17)		453	177		450	16		605	109			1,793
7525 · Miscellaneous Expense	878		86	(100)	55	814	(806)	538		262	173	173	2,072
7530 · Office Supplies	189	811	775	1,992	682	992	372		671	1,315	780	780	9,359
7535 · Computer Related			150		1,355	1,232	285		1,010	300	100	100	4,532
7560 · Licenses, Taxes, Permits						791	89		119				999
7565 · Temp. Services						1,973							1,973
7570 · Fees to Div. of Condominiums	864												864
7588 · Payroll Administration	926	926	932	1,230	1,693	850	926	926	926	926	926	926	12,113
7620 · Screening		45	145	390	50		50	60		250			990
7635 · Copier Lease												243	243
Total Administrative	2,565	2,383	8,890	3,689	7,105	6,309	5,261	2,612	5,888	3,885	3,359	3,602	55,548
Contract Services													
7025 · Trash Removal	1,485	1,484	3,201	1,730	1,830	1,778	1,810	5,799	1,831	2,062	2,562	2,062	27,634
7040 · Generator													
7070 · Lawn Maintenance			7,680	3,840	3,840	7,680	3,840	3,840	3,840	3,840	3,840	3,840	46,080
7085 · Foliage Maintenance	400	585	590	400		855	75	400	920		470	470	5,165

	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sept 13	Proj Oct 13	Proj Nov 13	Proj Dec 13	TOTAL	
7090 · Pest Control	430	594	430	80	580	930	430	80	930	80	923	923	6,410	5,381
7095 · Odor Control	109	109	109	109	109	109	109	109	109	109	109	109	1,308	1,177
7140 · Burglar & Emerg. Alarm System	650		1,300	650	650	650				650	650	650	5,850	4,680
7150 · Water Treatment	200	220	659		220	440		220	220	220	220	220	2,839	2,615
7155 · Elevator Contract	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,219	1,219	1,219	13,854	12,236
7170 · Air Conditioning	800	800	800	800	800	980	800	800	800	800	800	800	9,780	8,856
7545 · Elevator Inspections									375				375	450
7582 · Janitorial Contract	7,101	7,101	7,101	7,101		15,135	7,567	7,568		15,135	7,568	7,568	88,945	70,409
7630 · Valet Services	8,797	8,797	8,797	8,797	8,797	8,797	8,797	8,797	8,797	8,797	8,797	8,797	105,564	95,008
Total Contract Services	21,105	20,823	31,800	24,640	17,959	38,487	24,561	28,746	18,955	32,912	27,158	26,658	313,803	272,491
Insurance														
7555 · Insurance - Multiperil	16,000	16,000	16,000	15,697	15,697	15,697	15,697	15,697	15,697	15,697	15,697	15,697	189,274	170,618
7556 · Insurance - Flood						9,702							9,702	11,642
7557 · Insurance - Workers Comp							970						970	1,164
Total Insurance	16,000	16,000	16,000	15,697	15,697	25,399	16,667	15,697	15,697	15,697	15,697	15,697	199,946	183,425
Repairs & Maintenance														
7100 · Carpet Maintenance														
7110 · Fire Equipment			894	2,265	1,455	(74)	650	650	650				6,490	8,653
7125 · Generator	1,002									2,043	4,000		7,045	1,336
7130 · Building	12	273	83	310	173	50	233	867	4,610	65	3,556	2,493	12,724	8,815
7160 · Plumbing			242		1,221			465	270	2,495	469	469	5,632	2,931
7165 · Supplies	602	343	894	2,075	615	1,473	1,441	423	771	334	897	897	10,765	11,516
7180 · Entry System	335			115	235								685	913
7305 · Pool/Spa/Fountain	1,920	1,187	810	1,369	1,939	228	642	185	303	148	150	150	9,031	11,444
7310 · Pool Furniture/Equipment		118											118	157
7340 · Air Conditioning	5,241			639	6,775			3,476			1,613	1,613	19,357	21,508
7045 · Radio/Pager										696			696	696
7625 · Uniforms		162		459									621	745
7345 · Tree Trimming									6,625				6,625	8,833
7350 · Hurricane Clean-up/Repair										875	15,000		15,875	
Total Repairs & Maintenance	9,112	2,083	2,923	7,232	12,413	1,677	2,966	6,066	13,229	6,655	25,685	5,622	95,663	64,356
Salaries & Benefits														
7580 · Salaries	14,649	14,519	14,609	19,335	18,069	13,653	14,807	14,807	14,807	14,807	22,510	14,807	191,379	185,673
7581 · Bonus										1,000		4,000	5,000	
7585 · Payroll Taxes	1,530	1,477	1,301	1,663	1,901	1,259	1,244	1,207	1,105	1,072	1,950	1,300	17,009	16,916
7557 · Insurance - Workers Comp	1,897	1,887	1,892	1,957	2,753	2,134	2,245	2,245	2,245	2,248	2,248	2,248	26,000	23,106
7589 · Medical Insurance	1,504	1,504	1,354	1,203	1,504	602	602	602	893	1,184	1,800	1,200	13,952	13,024
Total Salaries & Benefits	19,580	19,387	19,156	24,158	24,227	17,648	18,898	18,861	19,050	20,311	28,508	23,555	253,339	201,276

	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sept 13	Proj Oct 13	Proj Nov 13	Proj Dec 13	TOTAL
Utilities													
7015 · Gas/Fuel Oil	6,243	6,018	6,090	6,950	6,290	2,807	4,039	4,214	5,083	6,595	5,300	5,300	64,929
7016 · Diesel Fuel - Generator										12,505			12,505
7020 · Water	4,586		4,073	4,146	5,868	3,481	968	4,459	8,314		3,590	3,590	43,075
702x · Sewer	6,124	8,135	7,584	6,862	6,929	7,036	6,005		16,405		11,389	6,508	82,977
7021 · Water - irrigation	2,151		5,037	(1,002)	5,887		1,684	953	2,348		1,706	1,706	20,469
7030 · Electricity	14,136	10,842	13,176	12,962	13,100	13,410		30,683	15,567	16,024	8,000	16,000	163,900
7540 · Telephone	554	88	514	561	1,131	684	409	1,337	84	89	1,435	762	7,648
Total Utilities	33,794	25,083	36,474	30,479	39,205	27,419	13,105	41,646	47,801	35,213	31,419	33,865	395,502
7610 · Reserve Transfer	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Total Expense	105,906	89,509	118,993	109,645	120,356	120,689	85,208	117,378	124,370	118,424	135,577	112,750	1,358,803
Net Ordinary Income	(10,090)	1,390	(17,717)	(8,766)	(16,515)	(6,738)	35,830	38	(11,449)	(12,361)	16,001	9,006	

Del Boca Bleu Contract Review

<u>Acct No.</u>	<u>Type</u>	<u>Company</u>	2013 <u>Amount</u>	2014 <u>Amount</u>	<u>Period</u>	2013 <u>Annual Total</u>	2014 <u>Annual Total</u>	<u>Renewal Dates</u>	<u>Termination</u>	<u>Comments</u>
7510	Accounting	Joseph R. Padron, P.A.	250.00	250.00	Monthly	3,000.00	3,000.00	No renewal		\$100 per hour - training. No change as per Joe Padron
7510	Accounting - Audit	Gerstle, Rosen & Assoc.	5,400.00	5,400.00	Annually	5,400.00	5,400.00	No renewal		No change.
7170	A/C Service	S&S Air Conditioning	800.00	800.00	Monthly	9,600.00	9,600.00	04//01/2014	30 Days	No change as per Nardino
7140	Alarm Monitoring	Pro-Technical Support	650.00	650.00	Monthly	7,800.00	7,800.00	Expired		Proposed new contract - no change
7635	Copier	Xerox	231.25	231.25	Monthly	2,775.00	2,775.00	10/01/16	30 Days	3 year lease beginning 9/2012
7155	Elevator	ThyssenKrupp	1,218.69	1,218.69	Monthly	13,797.56	14,989.89	11/01/15		2005 Contract increased from \$1,11.35 to \$1,218.69 in 10/2005. Anticipated 7.5% increase in 9/2013.
7545	Elevator Inspection	All Florida Elevator	375.00	375.00	Annually	375.00	375.00			3 year contract
7588	Employment	Paychex	465.90	466.00	Biweekly	12,269.40	12,272.00	10/01/17		No change as per McGracty
7582	Janitorial	ASI	7,567.65	7,790.00	Monthly	90,811.80	93,480.00	10/01/14	30 Days	As per Geharti, minimum wage increase from \$615/hour to \$640 eff. 1/1/2014 (4.06%)
7070	Lawn Maintenance	Luke's Landscaping	3,840.00	3,840.00	Monthly	46,080.00	46,080.00	05/01/14		No change as per Luke Farazzo
7095	Odor Control	Ecolo Odor Control	109.00	109.00	Monthly	1,308.00	1,308.00	No contract		No change as per Billbo. No written contract.
7090	Pest Control - Insects	Florida Environmental	416.67	416.67	Monthly	5,000.04	5,000.04	No expiration		No change per Perez. Need to review contract terms.
7091	Pest Control - Pigeons	Rid-All Pest Control	80.25	90.95	Monthly	963.00	1,091.40	05/01/14	60 Days	New contract
7085	Plants - In Door (Lease)	Plantasy	470.00	470.00	Monthly	4,800.00	5,640.00	No expiration	30 Days	No change as per Rubio
7521	Postage Equipment Rental	Pitney Bowes	87.66	87.66	Quarterly	350.64	350.64			
7025	Trash Collection	Waste Management	1,830.71	2,062.00	Monthly	21,968.52	23,126.44		90 Days	6% - 10% effective September 20013
7015	Gas/Oil	FPL Energy Services						06/01/14		
7630	Valet	Southern Parking	8,797.00	9,100.00	Monthly	105,564.00	109,200.00	06/01/15	30 Days	New contract
7150	Water Treatment	Elite Service Systems	219.78	220.00	Monthly	2,637.36	2,640.00		30 Days	No change as per Levine

1

Trash Cost Comparison			
		Actual	Projected
2013 Charges		9 Mo.	Remaining 3 Mo.
Trash - Basic Charge		1,385.00	1,495.80
Fuel	15.00%	207.75	224.37
County Surcharge	(a)	238.91	33.66
Recycling		100.00	100.00
Recycling Surcharge	15.00%	15.00	15.00
		1,946.66	1,868.83
Total 2013		17,519.96	5,606.48

(a) Placed on Basic Charge & Fuel

Employee Cost Analysis									
		Date of Hire	Salary	FICA	FUTA	SUI	WC	Health Ins.	Total
Projected 2013	Manager	5/9/2013	38,750	2,964.38			3,712.25	1,303.73	46,730
	Former Manager	6/13/2013	24,500	1,874.25			2,347.10	1,303.73	30,025
	Admin. Asst.	10/20/1986	16,250	1,243.13			1,556.75	977.80	20,028
	Former Adm. Asst	7/22/2002	10,417	796.88			997.92	1,955.59	14,167
	Chief Engineer	3/1/2013	40,147	3,071.25			3,846.08	3,911.18	50,976
	Pool Manager	3/21/2013	22,818	1,745.58			2,185.96	3,911.18	30,661
	Maintenance		17,333	1,326.00			1,660.53		20,320
	Maintenance		15,600	1,193.40			1,494.48		18,288
			185,815	14,214.85	940.00	1,750.00	17,801.08	13,363.20	233,884
<hr/>									
Projected 2014	Manager	(a)	63,000	4,819.50			1,083.60	4,130.16	73,033
	Admin. Asst.	(b)	30,960	2,368.44			532.51	4,130.16	37,991
	Chief Engineer	(a)	42,154	3,224.81			4,038.39	4,130.16	53,548
	Pool Manager	(b)	23,548	1,801.44			2,255.92	4,130.16	31,736
	Maintenance	(b)	21,466	1,642.12			2,056.40	4,130.16	29,294
	Maintenance	(b)	19,319	1,477.91			1,850.76	4,130.16	26,778
			200,447	15,334.21	1,014.02	1,887.81	11,817.58	24,780.96	252,380
		(a)	Proposed 5% increase						
		(b)	Proposed 3.2% increase						

Copier Cost Comparison						
	<u>Ricoh Aficio 1027</u>		<u>Xerox Document Centre 430DC</u>		<u>Ricoh 2022</u>	
Monthly Cost						
Monthly Rate (1)	\$187.25	(2)	\$189.55	(3) (4)	\$171.20	(5)
Flat Rate/Page	\$0.047		\$0.047		\$0.057	
Additional pages (1)	\$0.016		\$0.014		\$0.014	
Contract Term	5 months	(6)	60 months	(7)	60 months	(7)
Equipment Status	Refurbished		New		New	
Toner/Cartridges Included?	Yes		Yes		Yes	
Service Response Time	4 - 6 hour	(8)	4 - 6 hours (5)	(8)	w/in 1 hour	(9)
Specifications						
Pages/Minute	22 - 27		30		22	
Image Quality	600 dpi		600 dpi		600 dpi	
Memory Capacity						
RAM	32 MB		10 MB		64 MB	
Hard Drive	- -		2.1 G		20 G	
Optional Memory	32/64 MB Ram; 6.0 HDD		10 MB; 2.5 G		No	
Paper Supply						
Standard	1,000 Sheets		1,050		1,000	
Maximum	3,100		4,050		4,100	
Number of Trays	2		2		2	
Optional Trays	1		2		2	
Maximum Monthly Volume (Pages)	10,000		120,000		8,000	
Pages per Toner Cartridge	11,000		15,000		11,000	
Auto Feeder	Yes		Yes		Yes	
Autotray Switching	Yes		Yes		Yes	
Auto Paper Select	Yes		Yes		Yes	
Auto Reduction/Enlarge	Yes		Yes		Yes	
Duplexing (2-sided)	Yes		Yes		Yes	
Electronic Sorting	Yes		Yes		Yes	
Mixed Size Originals	No		Yes		Yes	
Slapler	Yes		Yes		Yes	
Envelope Tray	Optional if available		Optional		No	
Optional Functions (10)						
Scan	No		Yes		Yes	
Email	No		Yes		Yes	
Other Comments						
	Unable to get product information or technical support on line.		Product information & technical support readily available on line.		Product information & technical support readily available on line.	
	Upgradeable in January 2014 at additional cost.		Upgradeable at any time at additional cost. Free Phaser 8550 DP Color Printer (\$1,500 value). Printer warranty 1 year. Printer supplies excluded in cost.		Upgradeable at any time at additional cost.	
	Looking for upgrade in January to more sophisticated equipment.		Assumes copier will service association for similar timeframe as current copier.			
(1) Includes tax at 7%		(6) 5 months				
(2) Can be extended to 36 months at the same price.		(7) 60 months				
(3) 36 months: \$231.25; 48 months \$197.21		(8) This may mean someone calling to walk through a solution				
(4) Credit for remainder of current service contract, plus any supplies for current copier, will be applied to monthly invoice by Xerox after new contract signed.		or scheduling appointment for repairs.				
		(9) Return call within 1 hour; service within 4 hours				
		(10) Available at additional cost				

Appendix D - Proposed Budget Worksheet

Del Boca Bleu Proposed Budget				
January 1 - December 31, 2014				
	Budget	Proj	Budget	
	2013	2013	2014	
Ordinary Income/Expense				
Income				
60xx . Estimated Carry over		92,226	6,070	
6010 . Maintenance Assessments	1,262,600	1,240,160		
6031 . Storage Income	12,000	10,770	11,000	
6032 . House Charges		320	300	
6050 . Screening Fees	1,200	1,230	1,200	
6055 . Estoppel/Quest. Fees		1,330	2,280	
6056 . Parking Income	18,000	13,590	14,000	
6057 . Moving Fees		1,850	1,850	
6060 . Miscellaneous Income	7,000	1,160	1,150	
6062 . Returned check fees		50	50	
6065 . Fines		50	50	
6070 . Vending machine income		630	650	
6095 . Clubhouse Rental		420	400	
6100 . Late Fees	4,000	2,610	2,600	
??00 . Bad Debt recovery				
7010 . Interest Income		1,480	1,140	
xxxx . Reserve Interest Transfer				
xxxx . Special Assessment Interest Transfer				
xxxx . Special Assessment Income				
xxxx . Reserve Income				
Total Income	1,304,800	1,367,876		
Expense				
Administrative				
7505 . Legal	4,000	13,560	7,500	
7510 . Accounting	9,000	6,820	8,400	
7515 . Bad Debts	2,400	230	230	
7xxx . Bank fees		50	50	
7520 . Postage	1,800	1,440	1,500	
75xx . Postage Meter		350	370	
7xxx . Copier Contract		240		
7xxx . Equipment Rental				
7525 . Miscellaneous Expense	1,200	2,070	2,100	
7530 . Office Expense	9,000	9,360		
7535 . Computer Related		4,530	1,600	
7560 . Licenses, Taxes, Permits	2,500	1,000	1,050	
7565 . Temp. Services		1,970		
7570 . Fees to Div. of Condominiums		860	870	
7xxx . Income Taxes				
7588 . Payroll Administration	12,000	12,110	12,270	
7620 . Screening	1,200	1,000	1,200	
Total Administrative	43,100	55,590		
Contract Services				
7024 . Property Appraiser				
7025 . Trash Removal	16,800	27,630		
7040 . Generator	1,000		1,100	
7070 . Lawn Maintenance	46,100	46,080		
7085 . Foliage Maintenance	5,500	5,170	5,640	
7090 . Pest Control - Insects	8,000	5,450	5,000	
7091 . Pest Control - Pigeons		960	1,090	
7092 . Pest Control - Termites			3,900	
7095 . Odor Control	1,300	1,310	1,300	
7140 . Burglar/Emergency Alarm System	10,000	5,850		
7150 . Water Treatment	2,400	2,840	2,640	
7155 . Elevator Contract	14,000	13,850	14,990	
7545 . Elevator Inspections		380	380	
75xx . Roof Service Contract				

	Budget 2013	Proj 2013	Budget 2014	
7170 - Air Conditioning	10,000	9,780	9,600	
7582 - Janitorial	87,000	88,950		
7630 - Valet Services	109,000	105,560	109,200	
7xxx - Gate Maintenance				
7xxx - Window Cleaning				
Total Contract Services	311,100	313,810		
Insurance				
7555 - Insurance - Property/Wind	192,000	118,100		
75xx - Insurance - Liability		43,390	59,660	199,940
75xx - Insurance - Umbrella		4,030	4,330	299,910
75xx - Insurance - D & O				
75xx - Insurance - Crime		1,080	1,190	
7556 - Insurance - Flood	11,000	9,700	12,610	
75xx - Insurance - Boiler & Machinery		2,990	3,290	
7557 - Insurance - Workers Comp (Non-Employees)		970	970	
75xx - Insurance - Plate Glass		12,100	13,310	
75xx - Insurance Financing		3,290	7,660	
Total Insurance	203,000	199,940		
Repairs & Maintenance				
7100 - Carpet Maintenance	3,400		3,400	
7110 - Fire Equipment	4,000	6,490	4,540	
7115 - Landscape Extras	2,500		2,500	
7125 - Generator		7,040		
7130 - Building	18,000	12,720		
7160 - Plumbing	5,000	5,630	5,840	
7165 - Supplies	19,000	10,770		
7180 - Entry System	1,400	690	700	
7305 - Pool/Spa/Fountain	10,000	9,030		
7310 - Pool Furniture/Equipment	3,000	120	1,500	
7340 - Air Conditioning	4,000	19,360		
7345 - Tree Trimming		6,630	5,000	
7350 - Storm Cleanup/Repairs		15,880		
7355 - Radios		700	700	
7625 - Uniforms	1,000	620	700	
Total Repairs & Maintenance	71,300	95,680		
Salaries & Benefits				
7580 - Salaries	188,000	191,380		
7581 - Bonus	5,000	5,000	5,000	
7585 - Payroll Taxes	17,000	17,010	17,500	
7589 - Health Insurance	18,000	13,950		
7557 - Insurance - Workers Comp	10,000	26,000		
Total Salaries & Benefits	238,000	253,340		
Utilities				
7015 - Gas/Fuel Oil	80,000	64,930		
7016 - Diesel Fuel/Generator		12,500		
7020 - Domestic Water & Cooling Tower	65,000	43,080	44,590	
70xx - Sewer		82,980		
7021 - Water - irrigation	65,000	20,470	21,190	
7030 - Electricity	165,000	166,840	189,750	
7540 - Telephone	8,300	7,650	10,200	
Total Utilities	383,300	398,450		
7105 - Contingency	10,000		28,300	
Subtotal Operating Expense	1,259,800	1,316,810		
7610 - Reserve Transfer	45,000	45,000		
Total Expense	1,304,800	1,361,810		
Net Ordinary Income		6,066		

Appendix F – Reserve Schedule (Reference)

Item#	Description	Qty	Install Date	Condition	Estimated Useful Life	Remaining Life	Est. Replacement Cost	Estimated Balance 12/31/07	% of total System	Remainig Balance 2007	2008 Reserve Amount
11	Pressure Reducing Valve	1	2003	Good	12	1	2,900	73	0.9%	2,827	2,827
12	Domestic Water Filtration System - Filter 5 Year Life	2	Repair Only	Good	35	5	10,000	251	3.0%	9,749	1,950
17	Hot Water Pressure Reducing Valve	1	1990	Good	25	24	2,500	63	0.8%	2,437	102
21	HVAC Unit	1	2005	Poor	10	1	74,250	1,863	22.5%	72,387	72,387
22	HVAC Ventilator Unit 4000	1	2008	Adequate	7	1	3,900	98	1.2%	3,802	3,802
23	HVAC Ventilator Unit 3000	1	2008	Adequate	7	1	3,900	98	1.2%	3,802	3,802
24	Water Cooled A/C Condensing Units	1	2000	Poor	15	1	36,450	915	11.1%	35,535	35,535
24	Water Cooled A/C Condensing Units	1	2004	Adequate	15	5	36,450	915	11.1%	35,535	7,107
24a	Water Cooled A/C Condensing Units	1	2004	Good	15	14	32,400	813	9.8%	31,587	2,256
25	Water Cooled Common Area A/C - Housekeeping	1	2003	Poor	12	1	3,500	88	1.1%	3,412	3,412
26	Water Cooled Common Area A/C - Lobby	1	2013	Good	18	17	10,125	254	3.1%	9,871	581
26a	Water Cooled Common Area A/C - Lobby	1	1997	Old	18	1	3,650	92	1.1%	3,558	3,558
27	Water Cooled Common Area A/C - Trash Room	1	2012	Good	12	10	2,300	58	0.7%	2,242	224
28	Water Cooled Common Area A/C - Recreation Rm	2	2006	Poor	10	2	8,100	203	2.5%	7,897	3,948
29	Water Cooled Common Area A/C - Elevator Equip Rm	1	2004	Poor	12	2	5,125	129	1.6%	4,996	2,498
30	Water Cooled Common Area A/C - Maintenance Shop	1	2002	Poor	12	0	3,675	92	1.1%	3,583	3,583
31	Water Cooled Common Area A/C - Hobby Room	1	2002	Poor	12	0	3,675	92	1.1%	3,583	3,583
32	Water Cooled Common Area A/C - Receiving Room	1	2011	Good	12	9	2,000	50	0.6%	1,950	217
33	Water Cooled Common Area A/C - Mgr's Office	1	2004	Good	12	10	3,350	84	1.0%	3,266	327
34	Water Cooled Common Area A/C - Valet Booth	1	1996	Poor	18	0	3,650	92	1.1%	3,558	3,558
35	Diesel Emergency Generator	1	2013	Good	35	35	60,750	1,524	18.4%	59,226	1,692
36	Trash Compactor	1	2013	Good	10	9	8,000	201	2.4%	7,799	867
37	Exhaust Fan - Paint Room	1	Unknown	Good	25	1	1,350	34	0.4%	1,316	1,316
38	Exhaust Fan - Housekeeping Room	1	Unknown	Good	25	1	1,350	34	0.4%	1,316	1,316
39	Exhaust Fan - Elevator Room	1	1990	Functional	25	1	1,350	34	0.4%	1,316	1,316
40	Exhaust Fan - Boiler Room	1	2013	Good	25	24	2,300	58	0.7%	2,242	93
41	Exhaust Fan - Pump Room	1	2014	Good	25	24	2,300	58	0.7%	2,242	93
TOTAL MECHANICAL							329,300	8,262	100.0%	321,038	161,952
6	Water Heater - Pool	1	2012	Good	10	8	5,000	2,523	15.3%	2,477	310
7	Water Heater - Jacuzzi	1	2012	Good	10	8	4,500	2,271	13.8%	2,229	279
8	Canister Filter - Spa	1	2012	Good	10	8	1,500	757	4.6%	743	93
9	Canister Filter - Pool	1	2012	Good	10	8	1,500	757	4.6%	743	93
	Remarcite/refinish pool surface	1	2013		10	10	20,100	10,144	61.7%	9,956	996
TOTAL POOL							32,600	16,453	100.0%	16,147	1,769

					Estimated		Est.	Estimated		Remaining	2008
Item#	Description	Qty	Install Date	Condition	Useful Life	Remaining Life	Replacement Cost	Balance 12/31/07	% of total System	Balance 2007	Reserve Amount
1	Pool Deck Fountain Pump - Rebuilt 1998; 2004	1	2010	Good	5	1	7,200	449	5.2%	6,751	6,751
2	Lobby Fountain Pump	1	2003	Good	12	1	5,500	343	4.0%	5,157	5,157
3	Swimming Pool Recirculating	1	2009	Good	12	7	650	40	0.5%	610	87
4	Jacuzzi Recirculation Pump	1	2013	Good	6	5	650	40	0.5%	610	122
5	Jacuzzi Jets Pump	1	2013	Good	6	5	650	40	0.5%	610	122
9a	Added Spare Pump	1	2013	New	5	4	650	40	0.5%	610	152
14	Hot Water Boiler System	2	Repair Only	Good	25	7	49,000	3,052	35.4%	45,948	6,564
15	Hot Water Recirculating Pump - Boiler Room	1	2004	Good	15	5	3,000	187	2.2%	2,813	563
16	Hot Water Recirculating Pump - 14th Floor	1	2004	Good	15	5	3,000	187	2.2%	2,813	563
18	Condenser Water Circulation Pump (Rbit 2004)	2	2013	Good	8	7	68,000	4,236	49.2%	63,764	9,109
TOTAL PUMPS/MOTORS/HEATERS							138,300	8,615	100.0%	129,685	29,191
19	Cooling Tower	2	1996	Good	25	7	162,000	27,757	0	134,243	19,178
20	Chemical Feeder Pumps	2	2013	Good	5	4	530			530	133
TOTAL COOLING TOWER							162,530	27,757		134,773	19,310
	Elevator Modernization	3	2013	Good	25	24	250,000			250,000	10,417
TOTAL ELEVATOR							250,000			250,000	10,417
	Fire Life Safety System		2013		15	15	250,000			250,000	16,667
	Burglar Emergency System				25	25	180,000			180,000	7,200
13	Fire Pump & Motor	1	Repair Only	Good	35	6	25,000	1,792		23,208	3,868
TOTAL FIRE/LIFE SAFETY							455,000	1,792	0	453,208	27,735
9a	Added Spare Pump	1	2013	New			350				
10	Domestic Water Pumps	2	Repair Only	Poor		5	60,000				
	Exterior Painting			Good	7	4	200,000	114,925		85,075	21,269
TOTAL EXTERIOR PAINTING							200,000	114,925		85,075	21,269
	Exterior Paving			Good	15	4	5,000	5,298		(298)	(298)
TOTAL EXTERIOR PAVING							5,000	5,298		(298)	(298)
	Expansion Joints				25	25				0	0
	Garage Pipes				10	5	30,000			30,000	6,000
	Pool Buildings - retile				20	10	17,500			17,500	1,750
	Concrete Restoration (repairs Only)				20	18				0	0
	Other						46,798	48,663		(1,865)	(1,865)
TOTAL BUILDING EXTERIOR							94,298	48,663	0	45,635	5,885

Item#	Description	Qty	Install Date	Condition	Estimated Useful Life	Remaining Life	Estimated Replacement Cost	Estimated Balance 12/31/07	% of Total System	Remaining Balance 2007	2008 Reserve Amount
	Lighting				20	5	25,000			25,000	5,000
	Fences, rails, decking				24	24	441,000			441,000	18,375
	Pool Furniture				5	5	10,000			10,000	2,000
	Landscaping Replacements				20	15	66,000			66,000	4,400
Total Other Exterior							542,000			542,000	29,775
	Roof Replacement	1		Good	20	18	200,000	19,806		180,194	10,011
Total Roof							200,000	19,806	0	180,194	10,011
	Domestic Water Pipes				25	5	60,000				
	Copper Piping			Good	35	15					
	A/C Steel Condenser Piping				25	25				0	0
Total Plumbing							0	0		0	0
	Furniture, Indoor				15	9	20,000	22,240			
	Office Furniture				15	9	10,000				
	Carpeting										
	Wallpaper										
	Interior Decorating	1		Poor		1				0	0
Total Interior Decorating							0	0		0	0

Appendix H – Sample Reserve Schedule Format

Schedule of Deferred Maintenance & Capital Expenditure Reserves

(For the budgeting period of January 1, 2014 through December 31, 2014)

Reserve Items	Estimated Total useful Life	Estimated Remaining Useful Life	Estimated Cost for Deferred Maintenance or Capital Expenditure	Estimated Fund Balance as of 01-01-13	Annual Funding			
	(in years)	(in years)	(\$)	(\$)	(\$)	(1)	(2)	(3)
Roof Repair & Replacement	20	15	450,000	164,325	19,045	$20 - 5 = 15$	$450,000 - 164,325 = 285,675$	$285,325 / 15 = 19,045$
Pavement Repair & Resurfacing	7	5	25,500	(5,135)	10,135	$7 - 2 = 5$	$25,000 - 0 = 25,000$	$25,000 / 5 = 5,000 + 5135 = 10,135$
Building Painting	8	2	200,000	159,000	20,500	$8 - 6 = 2$	$200,000 - 159,000 = 41,000$	$41,000 / 2 = 20,500$
Elevator Repair	25	20	150,000	32,400	5,880	$25 - 5 = 20$	$150,000 - 32,400 = 117,600$	$117,600 / 20 = 5,880$

Del Boca Bleu						
Summary - Systems Reserve						
Category	Estimated	Estimated	Estimated			2014
	Estimated	Remaining	Replacement	Balance	Remaining	Reserve
	Useful Life (1)	Useful Life (1)	Cost	12/31/13	Balance	Amount
Mechanical	N/A	N/A	329,300	8,262	321,038	12,280
Pool	N/A	N/A	32,600	16,453	16,147	1,220
Fire/Life Safety	N/A	N/A	455,000	1,792	453,208	16,970
Pumps/Motors/Heaters	N/A	N/A	198,300	8,615	189,685	7,400
Cooling Tower	N/A	N/A	162,530	27,757	134,773	6,060
Elevator	N/A	N/A	250,000		250,000	9,320
Plumbing	N/A	N/A	235,000		235,000	8,760
Interior Decorating	N/A	N/A	405,000	113,788	291,212	15,100
Exterior Painting	N/A	N/A	220,000	114,925	105,075	8,210
Exterior Paving	N/A	N/A	5,500	5,298	202	210
Roofing	N/A	N/A	220,000	19,806	200,194	8,210
Other Building Exterior	N/A	N/A	767,500	48,663	718,837	(8,690)
Other Exterior	N/A	N/A	542,000		542,000	20,220
Total			3,822,730	365,359	3,457,371	105,270
less estimated Interest @ 4%						16,850
Balance to be funded						\$88,420

(1) Detailed Reserve worksheet available in Management Office, with useful life for each item in categories.

Appendix I
Pooled Reserves

Item	Estimated Useful Life	Remaining Useful Life	Cost
Roof	12	1	95,000
Paving	18	7	55,000
Painting	5	4	92,000
Elevator Mod	25	14	20,000
Clubhouse Roof	12	1	60,000
Walkways	10	9	30,000

Appendix J
Pooled Reserve Exercise

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Roof															
Elevator Mod															
Paving															
Painting															
Pool Refurb.															
Total Proj. Cash Outflows															
Beg. Cash Balance															
Annual Reserve Req.															
Ending Cash Balance															

1

Appendix L
Budget Package

Budget Meeting Notice:

Del Boca Bleu

Special Meeting of Owners

Tuesday, December 16, 2013 – 7 PM
Card Room

Agenda:

- 1 – Call to Order
- 2 – Statement of Quorum
- 3 – Proof of Meeting Notice
- 4 – Approval of Outstanding Minutes
- 5 – Owner vote – Waiver of Reserves
- 6 – Adjournment

Board Meeting will immediately follow

Agenda

- 1 – Call to Order
- 2 – Statement of Quorum
- 3 – Proof of Meeting Notice
- 4 – Approval of Outstanding Minutes
- 5 – Consideration of Annual Budget
- 6 – Adjournment

Sample Budget Letter:

November 15, 2013

Dear Owner:

Attached please find the proposed budget for the next calendar year. We will discuss the budget at our meeting on Tuesday, December 16, 2013 – 7 PM, in the Cardroom

This proposed budget reflects significant review of expenses and consideration of alternatives to minimize increases to monthly assessments while meeting the increasing needs of an aging community. Note that we anticipate sufficient funds remaining in the special assessment/insurance fund to address the projects as proposed in the original special assessment, along with additional needs that have arisen in 2013. The proposed budget includes comments, providing additional details regarding specific line items.

Discussion:

The Board has made substantial progress in addressing deficiencies, improving the appearance of the property and making required repairs, many of which are still in progress. The careful stewardship of monies has allowed the Association to take these actions without a special assessment or increase in monthly maintenance. Some of the activities include:

- Contracted for replacement of the barrel tile roof and garage flat roofs at \$1.06 million, for stucco and building repairs at \$300,000, and painting of the building at \$115,000.
- Replaced most of the trees destroyed in Hurricane Wilma, and continued to enhance landscaping throughout our community.
- Made major sprinkler repairs and replacements throughout the community.
- Tackled major pest issues.
- Unearthed continued invasion of Formosan termites, and treated the complex, at a onetime cost of approximately \$30,000.
- Uncovered and treated new dry wood infestations in some units. As necessary, the Board will replace wood trusses and structures (owners will be partially responsible for repair of interior walls).
- Discovered rats, in common & limited common areas.

Because the Board has carefully monitored our funds, we continue to have monies available to carry out necessary improvements and to carry out additional enhancements. In the proposed Budget, a few of our projects include:

- Our community is expected to have a substantial carry-over. This will enable full funding of reserves.
- Continue building repairs, landscape improvements, and other activities as budgeted.
- Acquire new furniture for the pool and will install gutters in critical areas on our buildings.
- Re-asphalt or reseal coat our roadways, whichever is necessary. We also intend to add 4 – 10 guest parking spaces to help alleviate the parking problem.

I personally thank the Board members for their assistance and cooperation during this difficult year. Without their input and hard work, we could not have come this far. In addition, there is much work left to be done. If you have any questions, please do not hesitate to contact me or one of the Board Members.

Sincerely,

Johnny Dogood
President
for the Board of Directors

Limited Proxy

LIMITED PROXY

To: Manager
Del Boca Bleu
111 Condominium Lane
Condoville, FI 33213

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby appoints the Secretary of the Association, his or her designee, or _____, agent with the power of substitution for and in the name, place, and stead of the undersigned, to vote as proxy at the special meeting of the Association, to be held Tuesday, December 16, 2013 – 7 PM, in the Cardroom, and any adjournment thereof, according to the number of votes that the undersigned would be entitled to vote if then present in accordance with the specifications hereinafter made, as follows:

I hereby specifically authorize and instruct my proxy to cast my vote in reference to the following matters only as indicated below:

Should the reserves required by Section 718.112 (2) (f) F.S. for the roof be waived for calendar year 2007?

_____ Yes _____ No

Should the Association require all unit owners to contract for and install shutters, or take other measures to protect windows, doors and skylights, no later than April 30, 2007 thereby resulting in an estimated annual reduction to the La Mirage Windstorm insurance of \$20,000 and individual insurance of approximately 20%?

_____ Yes _____ No

The undersigned ratify and confirm any and all acts and things that the proxy may do or cause to be done in the premises, whether at the meeting referred to above or at any change, adjournment, or continuation of it, and revoke all prior proxies previously executed.

Unit Owner(s)

Print Name

Signature

Print Name

Signature

Dated: _____
General Proxy

Unit: _____

PROXY

To: Manager
Del Boca Bleu
111 Condominium Lane
Condoville, FL 33213

KNOW ALL PERSONS BY THESE PRESENTS, that the undersigned hereby appoints the Secretary of the Association, his or her designee, or _____, agent with the power of substitution for and in the name, place, and stead of the undersigned, to vote as proxy at the special meeting of the Association, to be held Tuesday, December 16, 2013 – 7 PM, in the Cardroom, and any adjournment thereof, according to the number of votes that the undersigned would be entitled to vote if then present in accordance with the specifications hereinafter made, as follows:

I hereby specifically authorize and instruct my proxy to cast my vote in reference to any matters brought before the association at the above meeting.

The undersigned ratify and confirm any and all acts and things that the proxy may do or cause to be done in the premises, whether at the meeting referred to above or at any change, adjournment, or continuation of it, and revoke all prior proxies previously executed.

Unit Owner(s)

Print Name

Signature

Print Name

Signature

Dated: _____

Unit: _____

INSTRUCTIONS

READ CAREFULLY PRIOR TO COMPLETING ANY COURSES.

- Step 1** Select the course(s) you need to take. Be sure that you select the appropriate course(s) for your specific needs. No credit will be given for taking the same course more than once. (CE requirements are listed on the front of this book or you can contact the CAM Council's office.)
- Step 2** Read the course materials for each course you take.
- Step 3** Find the "**CAM CONTINUING EDUCATION ANSWER SHEET**", located at the back of this book. ***There is space to complete all courses on the one answer sheet.*** Fill in the "**Student Information**" section and the "**Payment Information**" section. **(Courses will not be processed until complete payment has been made.)**
- Step 4** Complete your answers for each course by completely filling in one "bubble" per question. Note: A specific type of pen or pencil is not required.
- Step 5** We suggest that you make a photocopy of your answer sheet for your own records.
- Step 6** For "**Standard Grading**", mail your Answer Sheet to Gold Coast Professional Schools, Inc., 5600 Hiatus Road, Tamarac, FL 33321. Your Answer Sheet is graded and your course completion certificate(s) will be mailed as soon as possible, usually within 5 business days.

We also offer an optional "**NEXT DAY**" **fax service**. This optional service is provided for an additional \$10. Fax your completed Answer Sheet to us by 5 p.m. and we will fax your completion certificate(s) to you by 5 p.m. on the following business day. Your original completion certificate(s) will be mailed to you.

To use this service, fax your Answer Sheet to us at: **(954) 485-9865**

Note:

- To use the optional fax service, payment must be made by credit card.
- The optional fax service is available in the continental United States only.
- We will attempt to fax your completion certificate(s) to the number you provide up to a maximum of three times. If the third transmission does not go through, your certificate(s) will be mailed to you.

Step 7 When you receive your certificates, ***verify that you have received certificates for each of the courses you completed.*** If there are any errors or omissions, call our office at 1-800-732-9140 as soon as possible.

Step 8 Under the new reporting procedures, Gold Coast will report your results directly to the DBPR. You should retain your course completion certificates in case of audit.

Note: Students who do not achieve a score of at least 75% will be required to redo their examination, and pay a \$5 handling fee for the re-examination. If a student does not successfully pass the second time, they will be given a different exam. If a student is not successful on the re-examination, they will have one final chance to redo the second examination. Any student who is not successful after two attempts, at two different examinations will not be allowed to attempt another through our school. The tuition paid (excluding handling fees) for the correspondence course will be credited towards the same course, offered in any of our classroom locations.

This page was intentionally left blank

Budget Basics – or Are They? Questions

1. A budget is:
 - a. a financial plan that allows the association to estimate future income & expenditures for its next budget year
 - b. a statement of revenues & expenditures for the past year
 - c. a requirement of the Internal Revenue Service
 - d. a requirement of F.S. 207

2. The fiscal year is:
 - a. the time period necessary to complete a major project, whether more or less than 12 months
 - b. always a calendar year
 - c. usually identified in the Bylaws
 - d. required for the Annual Corporate Report to the Secretary of State

3. Financial Records include:
 - a. an approved budget for the current year
 - b. up to date account records for each owner
 - c. engineering reports on the status of major components
 - d. all of the above

4. Statutory Requirements for community association budgets are found in:
 - a. F.S. 718, F.S. 719 and F.S. 607
 - b. F.S. 718, F.S. 719 and F.S. 720
 - c. F.S. 718, F.S. 719, and F.S. 468
 - d. there are no statutory requirements for association budgets

5. Association should maintain their financial records:
 - a. according to GAAP
 - b. in vertical files, with easy tabs
 - c. in their accountant's office
 - d. on-site at the association

6. A condominium association must provide access to financial records within ___ days upon receipt of an owner request.
 - a. 2 working days
 - b. 10 calendar days
 - c. 3 working days
 - d. 5 working days

7. The operating budget:
 - a. must be divided into quarters for presentation to owners
 - b. identifies day-to-day costs for activities of the association
 - c. has specific restrictions for use of funds allocated for each line item
 - d. must always be prepared by an accountant

8. Reserve budgets in condominiums must include:
 - a. painting
 - b. paving
 - c. roofing
 - d. all of the above

9. The main purpose of the operating budget is to:
 - a. show revenues the association will receive during the fiscal year
 - b. show reserved categories that require owner approval to use
 - c. show categories of expenses that relate to the day-to-day operation of the association
 - d. show special assessments owners may expect in the coming year

10. Some of the things one may wish to have on hand when preparing the budget include:
 - a. trends in income & expenses over past years
 - b. analysis of line items over or under budget
 - c. any potential litigation costs
 - d. all of the above

11. COLA means:
 - a. cost of living adjustment
 - b. center of legislative activity
 - c. cost of legislative action
 - d. cost of living amortization

12. The operating budget should include:
 - a. any non-assessment revenues
 - b. management fees & costs, if appropriate
 - c. maintenance costs
 - d. all of the above

13. Cable & Satellite TV:
 - a. may never be a common expense of an association
 - b. may be provided for on a per unit basis, if the association has a bulk contract pursuant to its documents
 - c. must be provided to all unit owners upon request
 - d. must always be provided at an equal cost to unit owners

14. Deferred maintenance is:
 - a. routine maintenance that the association has delayed due to insufficient funds
 - b. preventive maintenance that the association has delayed due to insufficient funds
 - c. maintenance repairs that will be performed less frequently than annually
 - d. maintenance that a unit owner must perform

15. Pooled Reserves means:
 - a. reserve for the swimming pool and spa
 - b. single source of funds to pay for multiple categories of reserve expenses
 - c. reserves from segregated accounts, when added together and placed in the annual budget
 - d. funds owners have pooled for the upkeep of their units or parcels

16. When estimating reserves, one should:
 - a. inventory association property
 - b. examine original plans & specifications
 - c. consult professionals on requirements for specific components
 - d. all of the above

17. Surplus funds in an association:
 - a. must be returned to owners if from an excess in the operating budget
 - b. may only be used for the next year's budget upon approval of the owners
 - c. may be used to offset future assessments (dues, maintenance)
 - d. may be used to fund social events for the directors of the association

18. Assessments
 - a. must always be collected monthly in an HOA
 - b. must be collected as defined in the association documents
 - c. must always be collected quarterly in a condominium
 - d. must always be collected at the beginning of the fiscal year in a cooperative

19. An association with income between \$200,001 and \$400,000 must have an annual financial report called:
 - a. a review
 - b. an audit
 - c. a cash basis report
 - d. a compilation

20. Associations must file income taxes:
 - a. if they have revenues in excess of \$300,000
 - b. if they provide ancillary services such as restaurants
 - c. because they are corporations
 - d. if the accountant advises them to do so