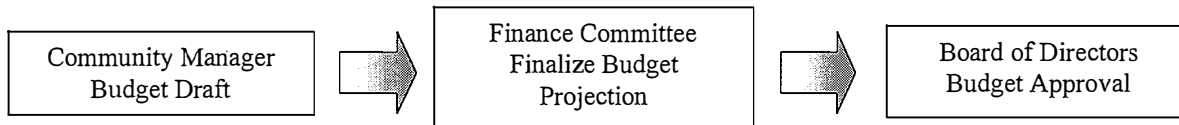



PRESCOTT LAKES
COMMUNITY ASSOCIATION

BUDGET DEVELOPMENT POLICY Effective
May 1, 2011 Amended 9-12-19

The start of the budget cycle for Prescott Lakes begins each calendar year. The budget is the formal financial planning process, which forecasts financial responsibilities and obligations for the community and the residents. These components include the determination of the operating funds and the reserve contributions.

PLCA Master Budget



- 1) Responsible Parties. Initial draft will be crafted by the community manager working with the controller for the association.
- 2) Assessment amount. Determining the assessment is the final step in the process. The Association and its volunteers shall avoid “fitting” expenses to the assessment or a predetermined increased amount. The assessment shall be a determination of the prorated share of expenses once the responsibilities and obligations have been determined.
- 3) Format. Budget drafts submitted to the Finance Committee for consideration shall adhere to the specific template as approved by the Board, attached exhibit “A”. Neighborhood advisory groups may use other formats for internal use but shall deliver any and all recommendations on the prescribed template. This template shall include the following; total income, operating expenses and reserves. Line items shall be broken down as determined by the general ledger such as; administrative, contracts, utilities etc. additional line items for the general ledger may only be added by the Finance Committee.
- 4) Sub-contractor bids/rates. Review of all association contractual responsibilities, verify terms and conditions for renewal along with possible increases. Contracts may include but are not limited to; insurance, landscaping, audits, management.
- 5) Comparison. All forecasts shall be compared using relative historical information. The comparison to actual for the previous year will determine where the variances are and why. Adjust numbers for next year accordingly.
- 6) Utilities. Contact utility companies to verify any rate increases.
- 7) Reserve Study. Review current reserve study components along with any variances, which may impact the funding contributions. Impacts may include planned events such as scheduled maintenance or repairs. Historical information for unplanned events shall also be considered in relation to the overall scheme. Any budgeted

contribution to capital reserves that is less than the current study recommends should insure that the projected reserve fund balance at the end of the year addresses a minimum funding target of 70%. There may be an increase required in the reserve fund if the reserve fund balance is projected to be less than 40% funded at the end of the year. The amount of the increase shall be recommended by the Finance Committee for approval by the Board.

- 8) Resident input. Work through the elected neighborhood voting members and advisory groups (if any) to review the projections for input and considerations.
- 9) Assessment increases. Prior to making any recommendations regarding an increase in the base assessment, the Finance Committee will review all relevant information prior to making a recommendation to the Board including the governing documents and state statute.

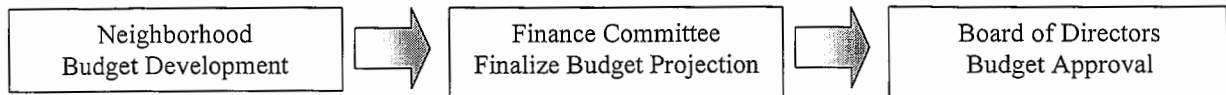
10) Timeline.

	Start Date	Due Date
Budget Process Begins	January 1	
Determine Responsibilities	January 1	March 31
Review All Contract Obligations	April 1	April 30
Consider Reserve Funding & Expenditures	May 1	May 31
Neighborhood Review	June 1	June 30
1 st Draft for the Finance Committee	July 1	
Allow for Input	July 1	Aug 31
Finance Committee Recommendation	Aug 1	Aug 31
Board Review	September	
Distribute to Ownership	October	
Implemented	January 1	

- 11) Bad Debt. Budgets shall include an allowance for bad debt for assessments determined to be uncollectable as determined by the Association's auditor. The Finance Committee shall deliver the amount by percentage of the Accounts Receivable.
- 12) Contingency. Budgets shall include a line item for unforeseen expenses. Any unused portion may be applied to the following year's operating cash. The amount shall be calculated at a minimum of 2% of the budgeted expenses. If the operating cash balance is projected to be less than 10% of the regular annual assessment income at the end of the year, the contingency fund may be increased up to 5% to provide additional funds at year-end. The Finance Committee shall make such recommendation to the Board.
- 13) Operating Cash Balance. The operating cash balance provides a cushion for cash flow through each quarter as well as additional funds when the contingency expense does not cover all unforeseen expenses. The goal shall be a minimum of 10% of the regular annual assessment income at the end of the year. If the balance is projected to be less, the contingency fund may be increased as provided in item 12 above.

PLCA Neighborhood Budget

All neighborhoods with an obligation to fund neighborhood related expenses should prepare an annual budget for Board acceptance. The budget shall be drafted at the neighborhood level, submitted to the Finance Committee for consideration along with any supporting documents.



- 1) Responsible Parties. The initial budget draft shall be crafted by the neighborhood working with the community manager on the approved template provided by the manager. The Finance Committee shall deliver by May 31st all contract obligations and any utility rate amounts/increases.
- 2) Assessment amount. Determining the assessment is the final step in the process. The Association and its volunteers shall avoid “fitting” expenses to the assessment or a predetermined increased amount. The assessment shall be a determination of the prorated share of expenses once the responsibilities and obligations have been determined.
- 3) Format. Budget drafts submitted to the Finance Committee for consideration shall adhere to the specific template as approved by the Board, attached exhibit “A”. Neighborhood advisory groups may use other formats for internal drafts but shall deliver any and all recommendations on the prescribed template. This template shall include the following; operating cash balance, total income, operating expenses and reserves. Line items shall be broken down as determined by the general ledger such as; administrative, contracts, utilities etc. additional line items for the general ledger may only be added by the Finance Committee.
- 4) Comparison. All forecasts shall be compared using relative historical information. The comparison to actual for the previous year will determine where the variances are and why. Adjust numbers for next year accordingly.
- 5) Reserve Study. The Neighborhood shall review the current reserve study components along with any variances, which may impact the funding contributions. Impacts may include planned events such as scheduled and/or anticipated maintenance and repairs. Historical information for unplanned events should also be considered in relation to the overall scheme. Any budgeted contribution to capital reserves that is less than the current study recommends should insure that the projected reserve fund balance at the end of the year addresses a minimum funding target of 70%. There may be an increase required in the reserve fund if the reserve fund balance is projected to be less than 40% funded at the end of the year. The amount of the increase shall be recommended by the Finance Committee in conjunction with the neighborhood Voting Member for approval by the Board. The recommendation shall include any objections made by the Voting Member.

- 6) Resident input. At least one neighborhood meeting shall be planned to allow the draft budget along with any proposed increases to be distributed to the residents for review.
- 7) Timeline.

	State Date	Due Date
Budget Process Begins	January 1	
Forecast Expenses	January 1	April 30
Consider Reserve Expenditures	May 1	May 31
Neighborhood Review	June 1	June 30
1 st Draft for the Finance Committee	July 1	
Allow for Input	July 1	August 31
Finance Committee Recommendation	August 1	August 31
Board Review	September	
Distribute to Ownership	October	
Implemented	January 1	

- 8) Bad Debt. ~~Budgets shall include an allowance for bad debt for assessments determined to be uncollectable as determined by the Association's auditor. The Finance Committee shall deliver the amount by percentage of the Accounts Receivable.~~ The Finance Committee shall recommend to the Board of Directors the yearly budgeted amount for bad debt based on historical practice and usage.
- 9) Contingency. Budgets shall include a line item for unforeseen expenses. Any unused portion may be applied to the following year's operating cash. ~~The amount shall be calculated at a minimum of 2% of the budgeted expenses. If the operating cash balance is projected to be less than 10% of the regular annual assessment income at the end of the year, the contingency fund may be increased up to 5% to provide additional funds at year end. The Finance Committee shall consult with the Voting Member prior to making such a recommendation to the Board.~~ The Finance Committee shall recommend to the Board of Directors the yearly budgeted amount for contingency based on historical practice, usage and anticipated Cash Carry Forward.
- 10) Operating Cash Balance. The operating cash balance provides a cushion for cash flow through each quarter as well as additional funds when the contingency expense does not cover all unforeseen expenses. The goal shall be a minimum of 10% of the regular annual assessment income at the end of the year. If the balance is projected to be less, the contingency fund may be increased as provided in item 9 above

3 22 2011.

President

BY:

