

THE GALLERY at RIVERS EDGE OWNERS ASSOCIATION, INC.
2018 Operating Budget
62 Unit Basis

Documentary Notes & Financial Management Plan

REVENUES

1. Regular Assessments (Acct # 36-05-4000) \$111,476.

The Regular Assessment income is generated through the payment of an annual assessment by each lot. The assessment rates are illustrated on page 3 of the budget detail worksheet. The individual assessments are based on the utilization a percentage of ownership assigned to each lot as it relates to the total (100%) of all units upon which the budget is based. This percentage is derived by dividing 1.00 by 62 units to arrive at each unit's "assessment basis" of 0.016129032, rounded to 0.01613 (1/62nd). Multiplying the total expenses, less the ancillary sources of income, by this percentage basis will equate the annual assessment for each lot. **The 2017 per lot annual assessment rate is \$1,798.00, payable in two (2) installments of \$899.00, due January 1 and July 1, 2017.** This represents a \$220.00 or 10.9% decrease as compared to 2016.

2. Interest Income (Acct # 36-05-4200) \$590.

Interest Income is projected as the return the Association will earn from the investment of the accumulated reserve funds and surplus operating funds. The Association will begin 2017 with an estimated reserve fund balance of approximately \$285,414. This balance will be invested in Money Market accounts, with a projected average return of two-tenths of one percent (0.002). The Association will contribute approximately \$1,507 monthly throughout 2017 to the reserve account, which will be invested with the fund balance.

3. Fine Income (Acct # 36-05-4810) \$134.

The Fine Income is the projected income the Association will receive from levied late charges and interest fees for delinquent assessment payments, using 2008 – 2016 history as a basis. (Source estimates: **1st Assessment Installment:** Late Charges - \$20 X 2 delinquencies for February, paid in March, \$20 X 1 for March, paid in April. Interest Fees - (18%) on \$899.00 = \$13.49/mo for February X 2 delinquencies, paid in March, 1 delinquency for March, paid in April. **2nd Assessment Installment:** Late Charges - \$20 X 1 delinquency for August, paid in September. Interest Fees - (18%) on \$899.00 = \$13.49/mo for August X 1 delinquency, paid in September.

TOTAL REVENUES: \$112,200.

OPERATING EXPENSES

Repairs & Maintenance:

1. General Maintenance (Acct # 36-05-6420) \$1,200.

Funding has been provided to purchase materials, supplies and professional repair services for the common facilities located throughout the property. Such services will include painting, carpentry, electrical, plumbing, etc. This category provides the funding source to accomplish both routine and preventive maintenance for the common facilities. The allocation is also designed to fund any new project construction (non-capital in nature) for the common facilities, which is otherwise not budgeted. This category is designed to respond with maintenance related funding for all general maintenance activities that are not covered as capital repairs and/or replacements, which are to be funded by the Reserves, through the use of outside vendors. The allocation is \$100.00 monthly, no increase over 2016.

2. Building Pressure Washing (Acct # 36-05-6418) \$21,425.

Funding has been provided to secure the services of A+ Window Cleaning ("AWC"), a local pressure washing professional. The service provides for one (1) annual pressure washing and mildew treatment of the exterior of all twelve (12) buildings, including the decks, stairs, porches and driveways of the individual units, as is required. The treatment will include the application of a mildew retardant chemical, which inhibits the growth of mold and mildew on the buildings. The pressure washing service is projected to be performed in May following the spring pollen season. The cost for this service, complete with all materials and labor, is \$21,390 for all 12 buildings, or \$345.00 per unit, plus \$35.00 for the purchase of "hydrant water".

3. Gutter Cleaning (Acct # 36-05-6429) \$2,500.

Funding has been provided to secure the services of Sealwize Coastal, a local gutter professional. The service provides for one (1) cleaning of the gutters and downspouts in April, before the exterior pressure washing. In addition, all gutter components will be checked during the cleaning visit and the roof area will be cleaned of any debris. The cost of this service is \$2,500.

4. Contract Landscape Maintenance (Acct # 36-05-6452) \$37,088.

Funding has been provided to employ the services of CAROLINA CREATIONS, INC. ("CCI"), a local professional landscape maintenance contractor. The service contract will provide a full service for landscape maintenance including all labor, maintenance equipment & operational expense and supplies & materials to ensure a first class approach to the maintenance of the turf, shrubs, trees, planted and natural landscaped areas. The service contract is inclusive of maintenance materials and supplies, including bedding pine straw and annual "color" plantings, whose purchase will be made directly by the contractor without any "mark-up". The Association will incur no additional expense for the materials and supplies utilized by the contractor in the performance of its duties.

The service contract includes all cost of employees, workmen's compensation & liability insurance coverage, equipment cost & equipment operation/maintenance, equipment transport, vehicles and operation, contractor's property insurance, overhead and profit.

Any required irrigation system repairs can be made by the contractor at an additional cost to the Association. Additionally, the contractor has made provisions to provide special

services such as storm related clean up or improvement project installation, which shall be an additional expense to the base contract price. Prior Board approval is required before any such “additional” work is completed where an additional fee will be due the contractor.

The contract is for a term of one (1) year, beginning January 1, 2017, continuing through December 31, 2017, with 30-day cancellation. The service fee, for the entire contract period, is based on an all-inclusive standard charge of \$49.85 per unit per month, or \$598.20 per unit annually. The annual fee of \$37,088 will be billed monthly, inclusive of all labor and materials, at \$3,090.70 for all 62 units and the common areas.

The base service fee includes the provision of the necessary landscape materials and supplies, including bedding mulch material, annual plantings, fertilizers, pesticides, herbicides, fungicides, etc., as will be required by the contractor for the proper maintenance of the landscape improvements. The material application schedule is based on the specifics provided by the contractor for the landscape improvements comprising the twelve (12) buildings and common areas in place at the completion of the development.

The contracted services are based on the following labor and material allocations:

ROUTINE SERVICE:

Mowing – 32 weekly visits annually (Wkly Apr – Oct & Monthly Nov – Mar). The remaining twenty (20) weeks require no mowing during the grass dormancy period, as the contract does not include any winter rye grass overseeding..

String trimming, edging & blowing hard surfaces – Performed weekly year-round.

Hand weeding all shrub beds & planted areas – To occur as determined necessary by contractor, with supplemental chemical treatments throughout the year.

Shrub Pruning – As determined by the contractor for specific plant type, generally occurring Dec – Feb for winter structure & July for summer shaping).

MATERIAL & SUPPLIES:

The material application schedule, quantities and product selection has been furnished by the contractor:

Turf Fertilizer - Applied 3 times annually

Shrubs Fertilizer - Applied 1 time annually

Turf Weeds – Pre-emergent Herbicide - Applied 2 times in Spring, 1 time in Fall

Turf Weeds – Post-emergent Herbicide - Applied as determined by the contractor

Beds Weeds – Post-emergent Herbicide - Spray application as determined necessary by the contractor throughout the year, supplemented with hand weeding

Shrub Insecticide – Spray application as determined necessary by the contractor throughout the year

BED MULCHING:

Pine Straw – Hand spreading of baled pine straw in all bedded areas two (2) times annually, projected for April and September. Contract includes a mulch material allocation of baled pine straw for each remulching application

ANNUAL “COLOR” PLANTINGS:

Installation of annual “color” plantings in high traffic beds with seasonal ornamental plants for the Spring/Summer season (April) and the Fall/Winter season (October).

5. Tree Maintenance & Supplies (Acct # 36-05-6455) \$0.

No funding is included in the 2017 budget for this service, as extensive tree trimming and/or removal was completed in 2014 and no work is anticipated for 2017.

6. Replacement & Additional Plantings (Acct # 36-05-6456) \$300.

In follow-up to the overall landscape planting enhancements installed in 2015, minimal funding has been provided to purchase and install replacement and/or additional plantings in the common areas in 2017. These plantings will serve to enhance the overall appearance of the common areas and will also be replacement plantings for dead, damaged or diseased plantings. The plantings will be installed by the landscape contractor, at an additional charge to the Association. The annual allocation is \$300, spread at \$150 in March and \$150 in October, the typical installation times for new shrubs.

7. Roadway & Parking Maintenance (Acct # 36-05-6490) \$1,900.

Funding has been provided to secure a local service contractor to perform routine repairs to the common parking and roadway areas. Such routine services will include spot patching, pothole repair, re-striping, etc. All major roadway repairs, such as resurfacing, will be funded by the appropriate roadway reserve allocation. This allocation is based on anticipated quarterly needs for the existing asphalt surfaces in place at the time of budget preparation. The allocation is \$25.00 per quarter.

A one-time allocation of \$1,800 has been included in the 2017 budget to fund the repair of the sinking area at the community entrance (drainage pipe separating creating a sinkhole). The repair will be completed by a local drainage specialty contractor, Rain Solutions and will include asphalt excavation, pipe repair, refill with ABC composite stone based material and repaving. The expense is projected for completion in March.

8. Pond Maintenance (Acct # 36-05-6496) \$1,330.

Funding has been provided to secure the contract services of Estate Management, a local lake/pond management specialist, to perform the routine maintenance for the pond located in the common area behind building #12. Estate Management will check and service the pond on a monthly basis throughout the year, adding the necessary chemicals to control the algae growth and subsequent odor from the pond. The 2016 cost of this service is \$1,291.20 annually, payable at \$107.60 monthly, inclusive of all labor and materials. A 3.0% increase is projected for 2017, or \$1,329.96 annually, payable at \$110.83 monthly.

TOTAL REPAIRS & MAINTENANCE EXPENSES: \$65,743.

General & Administrative:

1. Office Supplies (Acct # 36-05-6610) \$84.

Funding has been provided to cover the purchase of necessary office supplies required for the Association's administrative operation.

\$15.00 funding to setup the Association administrative and accounting files at the beginning of the year in January and \$8.75 as a year-end allocation in December for "file close-out". The general allocation is projected at \$5.00 monthly.

2. Printing (Acct # 36-05-6612) \$133.

Funding has been provided to cover the cost of printing and copying incurred in the Association's routine administrative operation. This service should be provided by management and re-billed as out-of-pocket expenses on a monthly basis as utilized. The projection allocates funding for communication at the time of the year-end for annual budget and assessment billing, plus the mailing of the annual meeting notice packets.

The general allocation is historically based at \$7.00 monthly, plus \$28.50 for Annual Meeting Notice, allocated in November (4 pages x 62 copies at \$.11 each) and \$20.00 for the assessment mailing in December (3 page document x 62 copies at \$.11 each).

3. Postage (Acct # 36-05-6614) \$237.

Funding has been provided to cover the cost of postage incurred in the Association's routine administrative operation. This service should be provided by management and re-billed as out-of-pocket expenses on a monthly basis as utilized. The projection allocates funding for the annual meeting notice and announcement in November and the annual budget and assessment billing in December, as well as special mailings to the membership. This funding covers the postage expense for invoice remittance, general correspondence and special mailings.

The general allocation is historically based at \$13.00 monthly for postage and postage related supplies, plus \$30.00 for the annual meeting notice package (62 ltrs at \$.48 each) in October, plus \$30.00 for the assessment mailing in December (62 ltrs. at \$.48 each).

The allocation also includes the rental of a post office box, at an annual rental rate of \$82.00, payable in June of each year. This box rental is split with River Edge POA, the Bluffs POA & Pointe West POA, resulting in an annual cost of \$20.50.

4. Legal Services (Acct # 36-05-6620) \$125.

Funding has been provided to cover the cost of legal service for collection of delinquent assessments. With the laws subjecting the Association's delinquent assessment collection process to the Fair Debt Collection Act, the Association will not be able to force the payment of legal fees incurred for collection upon the delinquent property owners. Under the law, legal fees can only be collected when a lawsuit is actually brought against the delinquent property owner. The Association's collection system does not generally result in a lawsuit before collection is accomplished. The 2017 funding for legal collection services is based on the 2008 - 2016 actual experience and is "netted" to reflect the credit to this expense account for those legal fees collected as a part of the collection process. The 2017 allocation is \$125, reflecting legal assistance with collection of any delinquencies following the 2nd installment. The allocation projects a cost of \$125 per lien filing, with an allocation of 1 lien to be filed in September following the 2nd installment due date.

5. Audit Services (Acct # 36-05-6622) \$460.

Funding has been provided to employ W. Davis Milligan, CPA to complete a review of the Association's financial records and prepare a year-end financial statement. In addition, the CPAs will file the Association's State and Federal tax returns. The fee will be paid in April following the completion of the tax returns in March and completion of the annual financial report in April. The 2017 fee is projected at \$460.

6. Management Services (Acct # 36-05-6624) \$5,580.

Funding has been provided to employ Coastal Communities' management service, which provides the Association with a management function including finance & accounting services, administrative services and day-to-day representation for the Association with local governmental agencies, etc. The manager will work directly under the auspices of the governing Executive Board. The fee for this service is based on a fixed monthly fee of \$7.50 per unit, payable monthly at \$465 for the 62 units, reflecting no increase for 2017.

7. Insurance Expense (Acct # 36-05-6630) \$1,835.

The following itemization reflects the funding required providing the Association with insurance coverage for the common areas and administrative operation: (**Note:** There is no property coverage included, as the Association has no physical assets that require property insurance coverage). Both policies renew 2/8/17

GENERAL LIABILITY POLICY:

\$1,000,000/\$2,000,000. Combined single limit liability coverage with a broad-form endorsement, on the exposure presented by the common area space. This policy also provides coverage for auto accident claim exposure by various contractors working for the Association at time of any accident. A 3.3% premium increase is projected for 2017 over the 2016 rate of \$702.00.

Estimated General Liability Premium: \$725.

DIRECTOR & OFFICERS LIABILITY:

\$1,000,000 Director & Officers Errors and Omissions liability coverage insuring action of the Board members and Committees taken in conducting the affairs of the Association. Based on the last four (4) years' renewal, a 4.5% premium increase is projected for 2017 over the 2016 rate of \$1,068.00.

Estimated D & O Premium: \$1,110.

TOTAL ESTIMATED 2017 INSURANCE PREMIUM: \$1,835.

TOTAL GENERAL & ADMINISTRATIVE EXPENSES: \$8,453.

Utilities:

1. Electricity (Acct # 36-05-6710) \$2,105.

Funding has been provided to cover the cost incurred in securing electrical power service for the street lighting and lighting for the entry feature. This lighting will be provided on a leased basis by Brunswick Electric Membership Coop. ("BEMC"). Under the lease terms, BEMC will provide the light fixtures, full fixture maintenance, repair & replacement and electricity for a flat monthly fee of \$20.49 per fixture, plus 7% sales tax, or a monthly fee of \$21.93 per fixture (this reduced cost results from management's 2010 rate negotiations with BEMC on all leased lighting programs). A total of eight (8) fixtures are provided for the (12) buildings. A total monthly charge of \$175.41 for the eight (8) leased fixtures, or \$2,104.92 annually. The initial term of the lease is five (5) years, renewable for five (5) year periods. No rate increase is projected for 2017.

2. Irrigation Water (Acct # 36-05-6720) \$2,942.

Funding is provided to cover the cost of securing water service for the irrigation of the landscape improvements throughout the property, including those around each dwelling and the common areas. The water service will be provided by the Town of Shallotte. The irrigation service will utilize a 2 inch meter, which provides a minimum of 6,000 gallons of water over a 2 month period, for a base fee of \$34.54. Each 1,000 gallons of consumption over the 6,000 gallon minimum is billed according to the following rates: 6,000 to 10,000 gallons - \$5.09/1,000; 10,000 to 20,000 gallons - \$6.05/1,000; 20,000 to 30,000 gallons - \$6.29/1,000; 30,000 to 40,000 gallons - \$6.52/1,000; 40,000 to 50,000 gallons - \$6.76/1,000 and over 50,000 gallons - \$6.89/1,000. The water is billed every other month. Utilizing the past consumption & billing records, the following table summarizes the water allocation, reflecting billing in arrears. No increase is projected for 2017.

Bill Month	Billing Period	Gallons Consumed	Estimated Billing
Jan.	Nov. – Jan.	2,000.	\$ 34.54
Mar.	Jan. – Mar.	2,000.	34.54
May	Mar. – May	25,000.	146.85
July	May – July	150,000.	1,000.10
Sept.	July – Sept.	200,000.	1,344.60
Nov.	Sept – Nov.	<u>70,000.</u>	<u>381.30</u>
Totals		449,000.	\$2,941.93

3. Telephone (Acct # 36-05-6780) \$84.

A monthly allocation of \$7.00 has been made to reimburse the manager for long distance expense incurred in the conduct of the Association's routine business affairs.

TOTAL UTILITIES EXPENSES: \$5,131.

Reserves & Other Expenses:

1. General Reserves (Acct # 36-05-8110) \$18,086.

The Declaration requires reserve funding for the common area improvements, as well as the roofing for each dwelling. The funding requirement for the General Reserves is illustrated in the Replacement Reserve Schedule on page 3 of the Detailed Budget Worksheet. The reserve allocation projections utilize the life expectancy computation method, which recovers the estimated replacement cost over the expected life of each component. The anticipated remaining life of each component is based on the actual year the component was completed and "put into service". The schedule reflects the absence of any prior accumulated reserve funding and the calculation includes the necessary funding to recover this funding shortfall over each component's remaining life. This schedule will require annual adjustment for replacement cost changes.

Most components are straightforward as to the calculation basis; however each component calculation basis is listed and explained below:

- Roadways:** **\$30,780** – Asphalt surface yardage provided by the design engineering firm (48,602 sq.ft/5,400 sq. yds.), of parking and driveway asphalt pavement replaced with a 1" overlay at \$5.50 per surface sq. yd., recovered over 20 years
- Note:** - The Replacement Cost of this component was adjusted in the 2008 schedule to reflect funding for the additional roadway surface accompanying the completion of buildings 1-5 and reflecting a per square yard replacement cost increase to \$5.25
- Note:** - The Replacement Cost of this component was adjusted in 2010 by increasing the per square yard cost to \$5.50 to reflect the increase in crude oil pricing
- Note:** - The Replacement Cost of this component was adjusted in 2011 by increasing the per square yard cost to \$5.70 to reflect the increase in crude oil pricing
- Signage:** **\$3,160** – Building & Unit ID signs (\$230/bldg), Traffic Control signage (\$400), recovered over 12 years
- Note:** - The Replacement Cost of this component was adjusted in the 2008 schedule to reflect funding for building ID signs and the addition of traffic control signage within the completed project of twelve buildings
- Irrigation System:** **\$4,980** - Clock controllers (12 @ \$150), control valves (12 @ \$200), rain sensors (12 @ \$65), comprising only the primary components of the overall system, recovered over 12 years
- Note:** - Replacement Cost of this component was adjusted in the 2008 schedule to reflect funding for controllers and valves that were added at project's completion
- Note:** - Component's Replacement Cost was increased by \$1,080 in the 2012 schedule to reflect funding for the controllers and valves added at project's completion

Note: - Component's Useful & Remaining Lives increased by 2 years in 2016 (12 years) with no repair/replacement anticipated until 2018

Landscaping: **\$22,000** - A general overhaul of the general landscape for each building and common area landscaping improvements, including the entrance, roundabout bedding, the common turf areas & repairs to the various bulkheads located in the common areas, recovered over 10 years

Note: - Component's Replacement Cost was adjusted in the 2008 schedule to reflect funding of \$1,000 per building in landscape overhaul for the 12 buildings and \$3,000 for the common area landscape. The life cycle was adjusted to generate funds "On Hand" for immediate use

Note: - Component's Replacement Cost was increased in the 2012 schedule by \$7,000 adding the repair of common area bulkheads to the component's value. The "On Hand" balance was reduced by \$2,000 to reflect the 2012 bulkhead repair expenditure behind Bldg. # 11

**Building # 1 Roof:
4 Unit Bldg. - 2007** **\$17,700** – Old roof removal, new sheathing, flashing & 360 pound, random tab architectural grade shingles installed, estimated 60 squares, replaced at \$295 per square, recovered over 30 years

**Building # 2 Roof:
4 Unit Bldg. - 2007** **\$17,700** – Recovered over 30 years

**Building # 3 Roof:
4 Unit Bldg. - 2007** **\$17,700** – Recovered over 30 years

**Building # 4 Roof:
6 Unit Bldg. - 2007** **\$26,550** – Recovered over 30 years

**Building # 5 Roof:
6 Unit Bldg. - 2007** **\$26,550** – Recovered over 30 years

**Building # 6 Roof:
6 Unit Bldg. - 2007** **\$26,550** – Recovered over 30 years

**Building # 7 Roof:
6 Unit Bldg. - 2006** **\$26,550** – Recovered over 30 years

**Building # 8 Roof:
6 Unit Bldg. - 2006** **\$26,550** – Recovered over 30 years

**Building # 9 Roof:
4 Unit Bldg. - 2006** **\$17,700** – Recovered over 30 years

**Building # 10 Roof:
6 Unit Bldg. - 2005** **\$26,550** – Recovered over 30 years

**Building # 11 Roof:
6 Unit Bldg. - 2007** **\$26,550** – Recovered over 30 years

**Building # 12 Roof:
4 Unit Bldg. - 2006** **\$17,700** – Recovered over 30 years

Note: – The roofing replacement cost was adjusted in 2008 to \$200 per square based on a revised quote obtained by the Budget Committee members for material and labor by the contractor performing the original installation for “tear-off” & replacement

Note: – The entire accumulated On Hand reserve fund, for all the roof components - \$50,072, was “loaned” in 2014 to the operating account as partial funding for the Stairway Rehabilitation project, with the loan to be reimbursed over the each individual component’s remaining life, beginning in 2015

Note: – \$8,161 of excess stairway rehab loan proceeds was applied to the “On Hand” balance of each roof reserve component in the 2016 schedule, with Bldg # 10 getting \$681 to accelerate the reserve loan repayment schedule

Note: - Component’s Replacement Cost was increased to \$295 per square in the 2017 schedule to reflect current construction replacement estimates

Buildings 1 – 9 Gutters: \$26,050 – Complete replacement of site fabricated gutters and downspouts, with new tie-ins and supports, including new “gutter guards”; 4 unit bldg - \$2,200 each; 6 unit bldg - \$3,000 each; Gutter Guards \$250 per bldg, recovered over 20 years

Note: – This component was added to the budget in the 2012 Schedule reflecting the actual costs from the full building replacements made in 2012 (Bldgs 10 – 12). Buildings 1 – 9 significant repairs made to the gutters in these buildings. The remaining life for buildings 1 – 9 reflect the 2012 repairs, resulting in a remaining life of 75% of the normal expected life cycle (15 of 20 yrs).

Buildings 10 – 12 Gutters: \$8,950 – Complete replacement of site fabricated gutters and downspouts, with new tie-ins and supports, including new “gutter guards”; 4 unit bldg - \$2,200 each; 6 unit bldg - \$3,000 each; Gutter Guards \$250 per bldg, recovered over 20 years

2. Painting Reserves (Acct # 36-05-8120) \$0.

The Declaration requires reserve funding for the common area improvements, as well as the painting of the exterior of each dwelling. The funding requirement for the Painting Reserves is illustrated in the Replacement Reserve Schedule on page 3 of the Detailed Budget Worksheet. The reserve allocation projections utilize the life expectancy computation method, which recovers the estimated repainting cost over the expected life. The anticipated remaining life of each component is based on the actual year the building was completed and “put into service”. The schedule reflects the absence of any prior accumulated reserve funding and the calculation includes the necessary funding to recover this funding shortfall over each component’s remaining life. This schedule will require annual adjustment for replacement cost changes.

Most components are straightforward as to the calculation basis; however each component calculation basis is listed and explained below:

In 2013, the schedule was adjusted to reflect the cleaning of the exterior surfaces and repainting of the exterior trim in 2010. The painting life cycle was reduced to 6 years, with a new life cycle commencing in 2011. The replacement cost for each building was adjusted to reflect the 2010 repainting costs/quotation (trim and siding) to \$15,000 for a 4-unit building at \$3,750/unit and \$20,000 for a 6-unit building at \$3,333/unit

The “On Hand” balance of the Stairway Resealing Reserve component was fully expended for the stairway rehab project and eliminated from the schedule in 2016.

Building # 1 Exterior: 4 Unit Bldg. - 2007	\$15,000 – Re-coating all exterior painted surfaces with exterior grade acrylic latex, including surface prep with necessary sanding & scraping, joint caulking and “trim out”, cost estimate is \$3,750 per unit complete, including “average allowance” for extra wall on end unit, recovered over 6 years
Building # 2 Exterior: 4 Unit Bldg. - 2007	\$15,000 – Recovered over 6 years
Building # 3 Exterior: 4 Unit Bldg. - 2007	\$15,000 – Recovered over 6 years
Building # 4 Exterior: 6 Unit Bldg. - 2007	\$20,000 – Recovered over 6 years
Building # 5 Exterior: 6 Unit Bldg. - 2007	\$20,000 – Recovered over 6 years
Building # 6 Exterior: 6 Unit Bldg. - 2007	\$20,000 – Recovered over 6 years
Building # 7 Exterior: 6 Unit Bldg. - 2006	\$20,000 – Recovered over 6 years
Building # 8 Exterior: 6 Unit Bldg. - 2006	\$20,000 – Recovered over 6 years
Building # 9 Exterior: 4 Unit Bldg. - 2006	\$15,000 – Recovered over 6 years
Building # 10 Exterior: 6 Unit Bldg. - 2005	\$20,000 – Recovered over 6 years
Building # 11 Exterior: 6 Unit Bldg. - 2006	\$20,000 – Recovered over 6 years
Building # 12 Exterior: 4 Unit Bldg. - 2006	\$15,000 – Recovered over 6 years

NOTE: As of 12/31/16, each building’s “On Hand” balance reached full funding. The condition of each building was evaluated and it was determined to extend the need for repainting for a year past the planned repainting scheduled for 2017. A new life cycle commenced in the 2017 budget, with full funding in place, resulting a \$0 allocation for painting reserves funding in the 2017 budget. The decision was also made to maintain a 6 year Useful Life.

3. Stairway Project Loan Principal (36-05-8115) \$11,763.

Per the Membership directive during the 2014 Annual Meeting, the Board obtained a five (5) year, fixed bank loan in the amount of \$59,700 (\$60,000 loan amount less a \$300 closing cost deduction) for the repayment of the internal advance/loan from the Painting and General Reserves accounts utilized to fund the cost of each unit's entry stairway rehab/replacement project completed in 2014. This bank loan will fully repay the \$51,538.62 advance from the Painting Reserves and contribute \$8,161.00 towards the \$50,072 loan from the General Reserve's Roof components. This loan principal will be repaid over the five (5) year beginning with the first payment in July 2015. The 2017 budget allocation reflects the scheduled repayment for the year 2017 per the bank's amortization schedule. The loan repayment schedule requires a fixed monthly payment of \$1,100.12, of which the budget allocations segregated into principal repayment and interest expense, which fluctuates monthly based on the unpaid principal balance and the number of days in the month. This expense line item reflects only the principal repayment to be made in 2017.

4. Stairway Project Loan Interest (36-05-8116) \$1,439.

Per the explanation above, this expense line item reflects only the interest expense to be made in 2017.

5. Operating Contingency (Acct # 36-05-8140) \$1,587.

Funding has been provided through an allocation of two percent (.02) of the total budgeted expenditures, less loan payoff and reserve allocations, to serve as a general contingency to fund any extraordinary and unexpected items not previously budgeted and to provide financial flexibility for the on-going operation of the Association.

TOTAL RESERVES & OTHER EXPENSES: \$32,874.

TOTAL OPERATING EXPENSES: \$112,200.

CAPITAL IMPROVEMENT PROJECTS

2017 Planned Capital Improvements (Acct # 36-05-8125) **\$0.**

No Capital Improvement projects are planned and budgeted for 2017.

TOTAL CAPITAL IMPROVEMENT PROJECTS: **\$0.**

TOTAL OPERATING & CAPITAL EXPENSES: **\$112,200.**

2017 Planned Reserve Expenditures

2017 Planned Reserve Expenditures (Acct # 36-05-8123) **\$0.**

The Planned Reserve Expenditures in 2017 are itemized below. The descriptions provide the details of the expenditure (withdrawal from component's current accumulated balance) of existing "On Hand" reserve funds from the individual reserve component. Components affected through these "withdrawals" will be adjusted in the 2018 reserve schedule, with appropriate adjustment to the Replacement Cost to reflect actual repair/replacement cost, the commencement of a new life cycle, where appropriate and the adjustment to the component's residual "On Hand" fund balance, as is required.

No reserve expenditures are anticipated or budgeted for 2017.

TOTAL 2017 PLANNED RESERVE EXPENDITURES: **\$0.**