

# FOUNTAIN HILLS COMMUNITY ASSOCIATION

## FY`10 OPERATING BUDGET NOTES

*Fiscal Year: July 1, 2009 to June 30, 2010*

### GENERAL ASSOCIATION

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#### I. INCOME:

A. Residential Assessments: The total income generated from the monthly assessment charged to all homeowners for the expenses that are common to all homes pursuant to the Declaration of Covenants, Conditions and Restrictions (Declaration).

1. Single Family and Village Homes: The homes that are located on the public streets. The "Village" homes also include the private alleys. The public streets and private alleys include:

Public Streets:

Cub Run Way  
Fountain Hills Drive  
Lake Placid Lane  
Noble Oak Drive  
Ponsford Place  
Porterfield Way  
Scarlet Mist Way

Private Alleys:

Cary Acres Court  
Conlon Ridge Court  
Cornelius Court  
Malcolms Cove Court  
Noble Oak Court  
Scarlet Mist Court  
Scarlet Mist Lane

2. Townhouses: The various attached homes throughout the community, including the "piggyback" townhomes that make up the **Clopper Hills Condominium** and the **Harmony Woods Condominium**. The townhouse streets include:

Townhouse Streets:

Autumn Mist Circle  
Autumn Mist Drive  
Champions Way  
Club Plaza Drive  
Fountain Club Drive  
Hamlet Square Court  
Harmony Woods Lane  
Lake Geneva Way  
Lake Mary Cele Lane  
Little Star Lane

Mediterranean Drive  
Neptune Hollow Lane  
Niagara Falls Court  
Rising Sun Lane  
Rushing Water Way  
Sparkling Water Drive  
Summer Breeze Lane  
Tivoli Fountain Court  
Village Fountain Drive

B. Late Fee Income: Estimated funds collected from homeowners as a result of late payment of monthly assessments pursuant to Article VII of the Declaration and approved Association collection policy.

C. Condominium Dues: The total income generated from the monthly assessment charged to the **Fountain Hills Condominium** pursuant to the Declaration. The Condominium assessment covers the same expenses as the assessments charged to all other homeowners less the amount for trash collection.

D. Interest Income: Estimated income earned from excess operating funds placed in demand deposits.

#### II. EXPENSES:

A. Reserve Contributions: The calculations of the reserve contributions are based upon the combination of a review of the available site plans, information provided by the Developer, consultation with various contractors and the experience of the preparer.

The funding shown in the operating budget spreadsheet is based upon a comprehensive reserve schedule which is an attachment to the operating budget.

1. Gross Reserve Contribution: The total gross reserve contribution necessary to meet the funding goals established through the comprehensive reserve schedule which has estimated the expected useful life and replacement cost of each community asset.

2. Less: Reserve Interest: Allocation of the interest income earned by the deposit of reserve funds to secure investment vehicles such as money market and certificate of deposit accounts. The earned interest thereby reduces the monthly cash deposit required to meet the funding goals established through the reserve schedule.

3. Net Reserve Contribution: The actual cash outlay for deposit into reserve accounts which is necessary to meet the established funding goals as previously discussed.

B. General & Administrative Expenses:

1. Management, Audit, Legal, Professional, Banking Fees: The projected expenses for:

a. Professional community management services for property management, financial accounting and consultation services.

b. The services of a Certified Public Accountant (CPA) for the preparation of all annual tax returns and the conduct of an annual audit of the Association books and records.

- c. Retaining general legal counsel for such matters as legal document interpretation, collection assistance, violation enforcement and other legal assistance as may be required.
    - d. Professional services such as architects, engineers and the like for consultation on Association related matters.
    - e. Expenses related to bank transaction fees, the printing of checks and deposit slips as well as the implementation of direct debit payment.
  2. Postage, Printing, Newsletter, Coupons: Allowances for:
    - a. Postage needs of the Association including several community-wide mailings to members for such items as the annual budget and annual meeting notices that must be sent via the mail. **An allowance has been made for the May 2009 U.S. Postal Service rate increase.**
    - b. The printing requirements associated with the budgeted postage needs as described above.
    - c. The preparation and printing of a quarterly newsletter for distribution to all homeowners. This item assumes distribution of the newsletter via first class mail.
    - d. The preparation and printing of annual assessment payment coupon booklets for all homeowners.
  3. Insurance: The estimated expense for providing all appropriate insurance coverage for the Association including, but not limited to:
    - a. All-Risk/General Liability Coverage in the amount of \$1,000,000.00;
    - b. Directors's & Officer's Liability Coverage in the amount of \$1,000,000.00;
    - c. Fidelity Bond of Officers and Directors in an amount sufficient to cover the amount in the Association's bank accounts.
  4. Bad Debt Expense: Allowance for uncollectible accounts due to homeowner bankruptcies, mortgage company foreclosures and/or other extraordinary circumstances that may make it impossible to collect amounts due.
  5. Dues & Subscriptions: Allowance for membership in the Community Associations Institute (CAI), a national educational and advocacy organization for homeowner associations and condominiums as well as an allowance for Board member attendance at various local seminars and conferences held by CAI.
  6. Property Taxes: Allocation for payment of the annual water quality protection charge as assessed by Montgomery County on the common property owned by the Association.
  7. Income Tax: Allocation for payment of income taxes on non-assessment (primarily interest) income as determined by the independent auditor.
  8. Record Storage, Miscellaneous, Meetings: Allowance for
    - a. The Archive storage of the Association's historical records.
    - b. The expense for the expense of a recording secretary for the monthly Board meetings as well as expenses for meeting room rental costs that may be incurred for rooms in County government facilities.
    - c. Miscellaneous general & administrative Board expenses.
  9. Web Site: Allowance for the expense for the web site host and other expenses that may arise in connection with the web site.
  10. Utilities: Electricity, Water & Sewer: Allowance for
    - a. The operation of the pump equipment for the common amenity fountains.
    - b. The water and sewer charges incurred for the operation of the common amenity fountains.
  11. Social & Recreation: Allowance for several social events during the year such as pool and holiday events.
  12. County Commission: The allowance for the payment of fees assessed by the Montgomery County Commission on Common Ownership Communities which has been established to provide certain dispute resolution and educational support services to association within the County. Payment of the annual \$2.25 per home annual fee will be made in July as billed by the County.
- C. Pool Operation:
1. Pool Management, Pool Pass Administration: Allowance for:
    - a. The expense of a professional, full service pool management company to provide staff and supplies for the "turn-key" operation of the swimming pool facility based upon a contract with Winkler Pool Service (new for 2008).
    - b. Provision and distribution of swimming pool passes.
  2. Pool Repairs, Supplies: Allowance for
    - a. The preseason preparation of the swimming pool and bathhouse facilities including such repairs as skimmer replacement, minor caulking, minor plumbing repairs and miscellaneous other repairs to the facilities.
    - b. The purchase of miscellaneous supplies necessary for the operation of the facilities including pens, notebooks, signboard, etc. and an allowance for the printing of pool passes in the spring.
  3. Utilities: Telephone, Electric, Gas, Water & Sewer: Allocation of funds for:
    - a. A public, coin operated telephone at the pool facility which is required by local codes.
    - b. The electrical consumption of the electric pump motors and the filtration system, lighting and other electricity needs as may be needed for the safe operation of the facility.
    - c. The natural gas supplied to water heater and to the heater in the equipment room for the winter months.

d. The water needs for the facilities including the spring "fill-up" of the pool, maintenance of the pool water level during the season and bathhouse needs for showers and toilets.

D. Site Improvement:

1. Landscaping: Allowance of funding for the planting of annual flowers at the entry features and other locations within the community during the spring and fall planting seasons as well as other landscaping improvements which may be determined by the Board of Directors in consultation with the Grounds/Landscaping Committee.
2. Miscellaneous Improvements: Allowance of funding for non-landscaping type improvements of the common areas and community facilities as may be determined by the Board of Directors.

E. General Maintenance:

1. Tree & Shrub Maintenance: Allocation of funding necessary for the proper care of trees and shrubs located upon the common areas of the community. Such maintenance includes pruning and fertilization during the proper season, take down of large dead trees and pest management of diseases and insects.
2. Site Maintenance & Repair: Allocation of funding necessary for miscellaneous maintenance needs throughout the community such as minor tot lot repair, removal of dead landscaping, trash clean-up, and other miscellaneous grounds repairs. Also included are funds for the annual cleaning and start-up of the community fountains as well as for a semi-annual policing of the green spaces for trash.
3. Electrical Maintenance & Repair: Allocation of funding for the care and maintenance of the electrical components of the decorative community fountains.

F. Contract Maintenance:

1. Grounds Maintenance: Funds allocated for the regular maintenance of the common areas including mowing, trimming, edging of common sidewalks, mulching of common area trees and shrubs and a complete chemical application package including fertilization and weed control. The Association returned the contract to D&A Dunlevy Landscapers during the 2007 season.
2. Lot Inspections: Funds allocated for annual maintenance inspections. The Board of Directors has implemented a plan to inspect approximately 225 units, or one third (1/3), of the community per year. Thus all Fountain Hills homes will receive a maintenance inspection on a three (3) year cycle.
3. Trash Removal: Allocation of funding for providing twice weekly curbside collection of trash for all single family detached and townhouse homeowners (including the "piggyback" townhouse condominiums) based upon current market rates for trash collection. The contract is currently with Potomac Disposal. Trash collection for the Fountain Hills Condominium homeowners is to be separately provided by that Condominium Association.
4. Snow Clearing: Funding allocated during the winter season for the clearing and sanding of walkways that, based upon Montgomery County law, are the responsibility of the Association to clear. Such sidewalks include both privately owned sidewalks **that are not directly in front of an individual home** as well as those within the Montgomery County owned rights-of-way. ***The laws requires private homeowners, including those in townhomes, to clear the sidewalks at the front of their homes, even though they may actually be common sidewalks.*** Snow clearing services for the Fountain Hills Condominium homeowners (Sparkling Water drive) is to be separately provided by that Condominium Association.
5. Operating Contingency: Provision for those unexpected expenses encountered by the Association which exceed the above budgeted amounts.

**FOUNTAIN HILLS COMMUNITY ASSOCIATION**  
 FY 2010 OPERATING BUDGET  
 July 1, 2009 through June 30, 2010  
**GENERAL ASSOCIATION (All Homes) BUDGET SUMMARY**

<b>Monthly Assessment:</b>				
Single Family Detached:	\$46.20	0.00%	Increase over FY2009	
Townhouses <sup>1</sup> :	\$46.20	0.00%	Increase over FY2009	
Village Homes:	\$46.20	0.00%	Increase over FY2009	
Condominiums <sup>2</sup> :	\$40.84	-0.95%	Increase over FY2009 <sup>3</sup>	

	ANNUAL TOTAL:	FY2009 Total	\$ Change	% Change
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**INCOME:****Residential Assessments:**

Single Family & Village Homes	\$98,683.20	\$98,683.20	\$0.00	0.00%
Townhouses <sup>1</sup>	\$261,676.80	\$261,676.80	(\$0.00)	0.00%
Late Fee Income	\$2,940.00	\$2,940.00	\$0.00	0.00%
Condominium Dues	\$108,797.76	\$109,847.38	(\$1,049.62)	-0.96%
Interest Income	\$3,328.34	\$3,328.34	\$0.00	0.00%
<b>ADJUSTED INCOME:</b>	<b>\$475,426.10</b>	<b>\$476,475.71</b>	<b>\$0.00</b>	<b>-0.22%</b>

**EXPENSES:****Reserve Contributions:**

Gross Contribution	\$30,328.47	\$30,328.47	(\$0.00)	0.00%
<i>Sub-Total:</i>	\$30,328.47	\$30,328.47	(\$0.00)	0.00%
Less: Reserve Interest:	(\$13,460.82)	(\$11,530.37)	(\$1,930.45)	16.74%
<b>Net Reserve Contribution:</b>	<b>\$16,867.65</b>	<b>\$18,798.11</b>	<b>(\$1,930.45)</b>	<b>-10.27%</b>

**General & Administrative:**

Management, Audit, Legal, Professional, Banking Fees	\$76,391.44	\$74,460.52	\$1,930.92	2.59%
Postage, Printing, Newsletter, Coupons	\$15,871.44	\$15,635.90	\$235.54	1.51%
Insurance	\$12,000.00	\$12,000.00	\$0.00	0.00%
Bad Debt Expense	\$3,200.00	\$3,200.00	\$0.00	0.00%
Dues & Subscriptions	\$655.00	\$655.00	\$0.00	0.00%
Prop. Taxes/Water Qual. Protection	\$2,750.00	\$2,750.00	\$0.00	0.00%
Income Tax	\$4,323.12	\$3,709.97	\$613.14	16.53%
Record Storage, Miscellaneous, Meetings	\$4,398.00	\$4,374.00	\$24.00	0.55%
Web Site	\$1,040.00	\$1,040.00	\$0.00	0.00%
Utilities: Electricity; Water & Sewer	\$3,170.00	\$3,170.00	\$0.00	0.00%
Social & Recreation	\$2,600.00	\$2,600.00	\$0.00	0.00%
County Commission	\$1,625.00	\$1,625.00	\$0.00	0.00%
<i>Sub-Total:</i>	\$128,024.00	\$125,220.39	\$2,803.61	2.24%

**Pool Operation:**

Management, Pool Pass Admin.	\$78,127.33	\$76,095.53	\$2,031.80	2.67%
Repairs, Supplies	\$7,775.00	\$8,775.00	(\$1,000.00)	-11.40%
Utilities: Telephone; Electric; Gas; Water & Sewer	\$18,335.00	\$18,059.00	\$276.00	1.53%
<i>Sub-Total:</i>	\$104,237.33	\$102,929.53	\$1,307.80	1.27%

**Site Improvement:**

Landscaping Improvements	\$20,000.00	\$23,000.00	(\$3,000.00)	-13.04%
Miscellaneous Improvements	\$5,374.00	\$12,000.00	(\$6,626.00)	-55.22%
<i>Sub-Total:</i>	\$25,374.00	\$35,000.00	(\$9,626.00)	-27.50%

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	<b>ANNUAL</b>	<b>FY2009</b>	<b>\$</b>	<b>%</b>
	<b>TOTAL:</b>	<b>Total</b>	<b>Change</b>	<b>Change</b>
<b>General Maintenance:</b>				
Tree & Shrub Maintenance	\$3,250.00	\$3,250.00	\$0.00	0.00%
Site Maintenance & Repair	\$13,800.00	\$9,200.00	\$4,600.00	50.00%
Electrical Maintenance & Repair	\$225.00	\$225.00	\$0.00	0.00%
<i>Sub-Total:</i>	\$17,275.00	\$12,675.00	\$4,600.00	36.29%
<b>Contract Maintenance:</b>				
Grounds Maintenance	\$109,493.75	\$104,772.00	\$4,721.75	4.51%
Lot Inspections	\$1,125.00	\$1,125.00	\$0.00	
Trash Removal	\$41,808.00	\$38,734.80	\$3,073.20	7.93%
Snow Clearing	\$19,250.00	\$19,250.00	\$0.00	0.00%
Operating Contingency	\$12,000.00	\$18,000.00	(\$6,000.00)	-33.33%
<i>Sub-Total:</i>	\$183,676.75	\$181,881.80	\$1,794.95	0.99%
<b>TOTAL EXPENSES:</b>	\$475,454.73	\$476,504.83	(\$1,050.10)	-0.22%
<b>NET INCOME/(LOSS)</b>	(\$28.63)	(\$29.11)	\$0.48	

<sup>1</sup> Townhouses include the "piggyback" townhomes condominiums on Harmony Woods Lane (Harmony Woods Condominium) and Rushing Water Way (Clopper Hills Condominium).

<sup>2</sup> The Fountain Hills Condominium

<sup>3</sup> Higher % increase due to lower overall fee because cost of trash collection not included.