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2022-2023 Accrual Budget/Forecast Information Sheet

Summary

In the following two pages, you'll find two budgets. One for operations and one for reserve. The colors of the text determine whether the monies are specific to maintenance, water or both. You'll also notice the income section of each budget shows the already divided up monies. Based on our billing statements from NWS, we're calculating our income off 681 accounts.

Highlights

In these budgets, we've allocated funds towards our water system. Both in operations and reserve. We've also allocated an additional salary for an office person. We've raised the amounts we paid last year on common items, such as monthly bills, by 3% or so to account for inflation. We've included some money for projects in the park and community center too. In addition, we're dedicating funds towards water system repairs and water system projects.

After analyzing the special assessment of (18.28), we projected that this December, we might not have collected enough to repay the 300k loan. From our calculations right now, it might be 14,000 remaining. We've adjusted for this in the operations budget too. We'll know more as we get closer to December.

This budget takes into account the raised HOA Assessment of \$40.00. Which was voted on and passed in the April 2022 Board of Directors meeting and communicated in the April billing newsletter.

Legend

Blue text = Water System Spending

Purple text = Maintenance Spending

Black text = Combination between Water System and Maintenance Spending

Revenue Breakdown

To explain each budget income section, an explanation of how we bill needs to be broken down. On your monthly bill, it totals 103.28, unless you've paid the upfront special assessment. In that case, your bill will be 85.00. Starting in June, this will go up \$30.00 to account for the raised HOA Assessment.

Itemized as follows:

\$40.00 HOA Assessment – 80%-32.00 Operations, 20%-8.00 Reserve

\$18.28 Special Assessment – Reserve – **Ending 1/1/2023**

\$10.00 Replacement Reserve Assessment – Reserve

\$65.00 Water Service – 95%-61.75 Operations, 5%-3.25 Reserve

Operations Expense Breakdown:

Budget Category	Description/Explanation
Insurance	Auto, Liability, Umbrella, Terrorist
Licenses & Permits	Fire, Notary, DFW, Sanitation, Utility Usage

Bank Service Charges	Fees Associated with Having Bank Accounts
Office Supplies	Paper, Staples, Toner, Tape, Pens, Pencils, Paper Clips
Phone/Internet	Telephone lines, Internet, Cellular Phone, Web/Email Hosting, Registrar
Postage and Shipping	Stamps, Shipping Costs, Bulk Mailings, etc
Printing Costs	Printer Equipment Lease
Security System	Brinks Security for Office and Park
Software/Subscriptions	QuickBooks, Office 365, McAfee Security, Zoom
Safety Equipment	Vests, Harnesses, First Aid, Extinguisher, Reflective Material, Cones
Personal Protective Equipment (PPE)	Goggles, Gloves, Facemasks, Helmets, Clothing
Training	Supervisor/Management Training, Bookkeeping/Accounting, Billing
Park Supplies	Buoys, Swim Lines, Signs, Playground Cover
Maintenance Equipment	Blades, Sharpening Services, Weed Line
Mileage Reimbursement	Reimbursement for Usage of Personal Vehicle
Salaries - Payroll	Maintenance Technician, Part Time Seasonal Worker, Office Staff
Payroll Taxes	L&I Employer Taxes
Audit	Annual Cost to Audit 2021-2022 Fiscal Year
Accountant	Periodic Accounting Consulting to Verify Bookkeeping Records
Legal	Attorney Fees for Contract Review/Advice, Review of Association Documents
Community Center	Kitchen Supplies, Light Bulbs, HVAC, Mops, Blinds, Paper Products, Soap
Park Maintenance	Playground, Court Upkeep, Docks Upkeep, BBQ Upkeep, Kitchen Upkeep, Septic
Misc. Maintenance	Flashlights, Batteries, Keys, Chargers, Maintenance Organizer, etc
Equipment Maintenance	Gasoline, Oil, Spark Plugs, Filters
Water Operator	NWS Fees, Depositing Chemicals, Laboratory
Chemicals	Chlorine, Calcium
Billing	NWS Billing Management
Meter Read / Chlorine Test	Water Testing 3 Times a Month
Water Repairs	Repairs to the Water System
Property Taxes	Property Taxes
Federal Income Tax	IRS
DOR Taxes	B&O, Excise Tax, Public Utility
Electricity A Community Center	CC Electric Charges, Ball Field
Electricity C Well House	Well House Electric Charges
Electricity D Park	Park Electric Charges
Street Lights	Electric Charges for Street Lights
Power for Pumping	Electric Charges to Pump Water
Propane	Propane Tank to Fuel Generators
Waste Management	Garbage Cans, Recycling Across the Properties
Sani Cans	Portable Toilets (3)
Special Assessment Repayment	Estimated Remainder Repayment of 300k
Reserve Study	Cost to Generate a Reserve Study

Reserve Expense Breakdown:

Budget Category	Description/Explanation
Community Center Projects	Paint Inside/Outside, Safety, Flooring, Railings, Parking Lot
Park & Recreation Projects	Courts, Extra BBQs, Lake Wading Area, Swim Area, Floating Dock, Playground
Water System Projects	Valve Cut-Ins, Blowoffs, Meter Upgrades, Meter System & Software

Future SLMC Financials:

The reserve account for SLMC is severely low. It doesn't reflect the necessary funds to replace our entire association assets. We are required to maintain a balance in our reserve account to support a complete replacement for 30 years out. To do this, inflation averages are taken into account to estimate what those balances would be. It's speculated that a full replacement of our water system could be 15 million. That's an estimate for 2022. Subtracting our current balance from this estimate is 13.5 million. 13.5 million equates to 450k per year. For the first year, we would need to set aside 73% or \$54.75 that is collected from each community member. As time goes on, this amount would go up based on inflation. The estimated rate would be about .50-.75 cents per year. The remaining amount of \$20.25 would be used for water operations. Fortunately, that is enough to maintain our water operations needs. Monthly water operations costs are about 12k, the collected amount is 13.5k.

Q & A

What are Reserves?

A reserve account is money set aside to pay for a complete replacement of assets for an association. In the case of SLMC, the assets would be the water system, common areas, buildings, ball field, park and docks. The collection of these monies is a delicate dance because estimates of annual usage and 30 year replacement savings have to be considered. Often times a reserve account is also called a Capital account, or a Capital Expenditure. These two terms are the same.

How can Reserves be spent?

Traditionally, when a reserve study is available, the components within the study will identify the lifecycle of replacement for each component. When it's time to procure these components, the funds to use can be taken from the reserve account. There will be times when an association needs to procure something that isn't in the reserve study, such as a new building or new equipment, if the item cost over \$500.00 and has a 12 month benefit to the association, the funds can come out of reserves. If a major repair occurs, whether the component is in the reserve study, the funds can still come from the reserve account.

1. Reserve Study Component Replacement/Improvement
2. New Purchase that's over \$500.00 and is beneficial for over 12 months
3. Major Repair

Is SLMC an HOA or just Maintenance?

SLMC is an HOA that offers Water as a service/utility to it's homeowners. SLMC also represents the owners for the management of common areas that are shared amongst the owners. SLMC is a business, a non-profit business that manages the assets of the owners(SL Property Owners). In order to manage these assets, the association is a corporation with Articles that define us. In addition to the Articles, we have By-Laws, CC&Rs(Declaration of Covenants, Conditions, Restrictions and Easements), Water Rules. All of these are available for reading on the SLMC website.

What should I look for in the SLMC Budget?

Depends on what matters to you. If you spend a lot of time at the park, you might want to know what is being done to improve and maintain the property. If you spend a lot of time entertaining and want to use the community center, you'll want to know what's being done to improve and maintain the CC. If your interested in baseball and want to organize a league, you'll want to know how we're improving and maintaining the ball field.

Who owns the money?

You do. The Property Owners of Scott Lake own the money that is collected for HOA and Water Assessments. The management of this money is performed by the SLMC Board of Trustees, it's agents and employees.

Why do we need a Reserve Study?

In order to know a detailed list of every component asset for an association, it's lifecycle and projected replacement, a reserve study is this list. It's evidence for justification of spending out of reserves.

Why do we need an Audit?

Every year and Audit should be performed to ensure the money is being managed properly. But an audit isn't just related to the money, it's very much an entire association audit. The auditor reviews the businesses policies, procedures, processes, safety standards, reserve study management, etc. It's a complete check in every year to protect the owners assets.

Scott Lake Maintenance Co. Water and Maintenance Operations Accrual Budget/Forecast May 2022 - April 2023

Category	Total
Income	
ASSESSMENTS	
HOA(Maintenance) - 20%=\$32.00x681	\$261,504.00
Water - 10.00 & 5%=61.75x681	\$504,621.00
MISC	
Community Center Rentals	\$6,000.00
Park Shelter Rental	\$1,800.00
Cell Phone Site & Tower Lease	\$23,400.00
Total Gross Income	\$797,325.00
Expenses	
Monthly Bills & Etc.	
Insurance	\$21,600.00
Licenses & Permits	\$4,200.00
Bank Service Charges	\$180.00
Office Supplies	\$1,200.00
Phone/Internet	\$2,280.00
Postage and Shipping	\$4,800.00
Printing Costs	\$3,600.00
Security System	\$1,800.00
Software/Subscriptions	\$4,800.00
Safety Equipment	\$4,200.00
Personal Protective Equipment (PPE)	\$600.00
Training	\$5,400.00
Park Supply Expense	\$1,800.00
Maintenance Equipment	\$3,000.00
Total Monthly Bills & Etc.	\$59,460.00
Payroll Expenses	
Mileage Reimbursement	\$900.00
Salaries - Payroll	\$100,200.00
Payroll Taxes	\$43,200.00

Total Payroll Expenses	\$144,300.00
Professional Services	
Audit	\$12,000.00
Accountant	\$7,200.00
Legal	\$9,600.00
Total Professional Services	\$28,800.00
Repairs, Maintenance and Upkeep	
Community Center	\$2,400.00
Park Maintenance	\$3,000.00
Misc. Maintenance	\$1,200.00
Equipment Maintenance	\$1,800.00
Total Repairs and Maintenance	\$8,400.00
Water System	
Water Operator	\$26,400.00
Chemicals	\$1,200.00
Billing	\$63,600.00
Meter Read / Chlorine Test	\$6,000.00
Water Repairs	\$192,000.00
Total Water System	\$289,200.00
Taxes	
Property Taxes	\$300.00
Federal Income Tax	\$9,000.00
DOR Taxes	\$24,000.00
Total Taxes	\$33,300.00
Utilities	
Electricity	
Electricity A Community Center	\$2,400.00
Electricity C Well House	\$300.00
Electricity D Park	\$360.00
Street Lights	\$18,000.00
Power for Pumping	\$19,200.00
Total Electricity	\$40,260.00
Propane	\$420.00
Refuse	
Waste Management	\$3,400.00
Sani Cans	\$3,000.00
Total Refuse	\$6,400.00
Total Utilities	\$47,080.00
Special Assessment Repayment	\$14,000.00
Reserve Study	\$30,000.00

Total Expenses	\$654,540.00
Total Net Income	\$142,785.00

Scott Lake Maintenance Co.
Water and Maintenance Reserve Accrual Budget/Forecast
 May 2022 - April 2023

Category	Total
Income	
ASSESSMENTS	
HOA(Maintenance) - 20%=\$8.00x681	\$65,376.00
Non-Metered Lot	\$10,800.00
Water Percentage-5% of \$65.00=\$3.25x681	\$26,559.00
Replacement Reserve-\$10.00x681	\$81,720.00
Special Reserve Repay FYE21/22 \$18.28x650	\$95,056.00
Total Gross Income	\$279,511.00
Expenses	
Community Center Reserve Projects	\$14,400.00
Maintenance - Park Reserve Project	\$70,800.00
Water System Improvements	\$198,000.00
Total Expenses	\$283,200.00
Total Reserve Income	-\$3,689.00

5 Year Reserve Projection:

	Reserve
Year 1	\$173,655.00
Year 2	\$347,310.00
Year 3	\$520,965.00
Year 4	\$694,620.00
Year 5	\$868,275.00