

POTOMAC CROSSING HOMEOWNERS ASSOCIATION, INC.**2016 OPERATING BUDGET**

Fiscal Year: January 1 through December 31

BUDGET SUMMARY

Quarterly Assessment:		
Single Family:	\$120.00	3.45% Increase over 2015
Townhouses:	\$120.00	3.45% Increase over 2015

Owners are reminded that budgets reflect an estimated projection of anticipated expenses and revenues and, as such, are subject to change based upon actual circumstances.

	APPROVED 2016 BUDGET TOTAL:	Approved 2015 BUDGET TOTAL:
SETTLED HOMES:		
Single Family	208	208
Townhouses	76	76
<i>Total Units:</i>	284	284
INCOME:		
Residential Assessments:		
Single Family and Townhomes	\$136,320.00	\$131,776.00
Late Fee, Fine Income	\$270.00	\$60.00
Interest Income	\$0.00	\$0.00
ADJUSTED INCOME:	\$136,590.00	\$131,836.00
EXPENSES:		
Reserve Contributions: 2013 Reserve Study		
Gross Contribution	\$7,954.48	\$10,200.00
<i>Sub-Total:</i>	\$7,954.48	\$10,200.00
Less: Reserve Interest:	(\$1,436.80)	(\$887.84)
<i>Net Reserve Contribution:</i>	\$6,517.68	\$9,312.16
General & Administrative:		
Management, Audit, Legal, Professional, Banking Fees	\$36,520.05	\$35,679.82
Postage, Printing, Newsletter, Coupons	\$4,250.60	\$3,470.05
Insurance	\$4,361.45	\$5,620.00
Property Taxes/Water Qual. Protection, Income Taxes	\$2,256.02	\$2,142.18
Record Storage, Miscellaneous, Meetings	\$2,083.20	\$1,696.80
AECC, Social & Recreation	\$2,560.00	\$2,060.00
County Commission	\$852.00	\$852.00
<i>Sub-Total:</i>	\$52,883.32	\$51,520.84
Utilities:		
Electricity	\$350.00	\$280.00
<i>Sub-Total:</i>	\$350.00	\$280.00
Site Improvement:		
Landscaping & Tree Replacement/Maintenance	\$14,540.00	\$14,540.00
<i>Sub-Total:</i>	\$14,540.00	\$14,540.00
General Maintenance:		
Site Maintenance & Repair, Electrical Repairs	\$3,700.00	\$3,700.00
<i>Sub-Total:</i>	\$3,700.00	\$3,700.00
Contract Maintenance:		
Grounds Maintenance	\$31,477.00	\$29,664.00
Maintenance Inspections	\$2,828.00	\$2,500.00
Trash Removal	\$16,869.00	\$16,869.00
Snow Clearing	\$6,425.00	\$2,450.00
<i>Sub-Total:</i>	\$57,599.00	\$51,483.00
Contingency:		
Operating Contingency	\$1,000.00	\$1,000.00
<i>Sub-Total:</i>	\$1,000.00	\$1,000.00
TOTAL EXPENSES:	\$136,590.00	\$131,836.00
NET INCOME/(LOSS)	(\$0.00)	\$0.00

POTOMAC CROSSING HOMEOWNERS ASSOCIATION

2016 OPERATING BUDGET SUMMARY NOTES

I. SETTLED HOMES: The number of single family and townhomes located in Potomac Crossing Homeowners Association and subject to the quarterly assessment.

II. INCOME:

A. Residential Assessments: The total income generated from the quarterly assessment charged to all homeowners pursuant to the Declaration for the Association.

Each home within the community is charged an assessment that, generally, includes the administrative expenses, insurance and maintenance of the common areas, common area utilities, trash collection, and clearing of snow from the private streets. **Each of the expenses are explained more fully in these notes.**

The townhouse homes also have an additional assessment amount, please see the Townhouse Supplemental Budget Summary for more information.

B. Late Fee: Estimated funds collected from homeowners as a result of late payment of quarterly assessments.

C. Interest Income: Estimated income earned from excess operating funds placed in demand deposits at current market interest rates.

III. EXPENSES:

A. Reserve Contributions:

1. Gross Reserve Contribution: The total gross reserve contribution necessary to meet the funding goals established through a reserve study 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 in 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 and Banking Fees: Allocated funds for professional community management services for property management, financial accounting and consultation services; for the services of a Certified Public Accountant (CPA) to prepare all annual tax returns and the conduct of an annual audit of the Association books and records; for retaining general legal counsel for such matters as legal document interpretation, collection assistance, violation enforcement and other legal assistance as may be required; for the services of an engineering professional for assistance with evaluation of common amenities and/or an architect for assistance in architectural control matters; for expenses related to bank account fees and the printing of checks and deposit slips.

2. Postage, Printing, Newsletter, Coupons: Allowances for the postage needs for several community-wide mailings to members and general postage; for the printing requirements associated with the community-wide mailings and general copying; for the preparation and printing of a periodic newsletter (assumes distribution of the newsletter via first class mail); for the annual preparation and printing of assessment payment coupons for all homeowners.

3. Insurance: The estimated expense for providing all appropriate insurance coverage for the Association including:

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 for Officers and Directors in an amount sufficient to cover the amount in the Association's bank accounts.

4. Property Taxes/Water Quality Protection Charge, Income Taxes: Allocation for payment of applicable property taxes, front foot benefits (FFB), the Montgomery County water quality protection charge on parcels owned by the Association, and for the annual

OWNERS ARE REMINDED THAT BUDGETS REFLECT AN ESTIMATED PROJECTION OF ANTICIPATED EXPENSES AND REVENUES AND, AS SUCH, ARE SUBJECT TO CHANGE BASED UPON ACTUAL CIRCUMSTANCES.

income tax liability based upon the taxability of non-assessment income, primarily interest income, as determined by the independent auditor.

5. Record Storage, Miscellaneous, Meetings: Allowance for the archive storage of the Association's records; for miscellaneous general and administrative Board expenses; for the expense for meeting room rental, recording secretarial services for Board meetings and other various meeting expenses.

6. Committee Expenses, Social & Recreation: Allowance for community social events during the year planned and carried out by the Board; and for miscellaneous expenses related to the Architectural and Environmental Control Committee (AECC).

7. 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 \$3.00 per home annual fee will be made in July as billed by the County.

C. Utilities:

1. Electricity: Allowance for the operation of the common area lighting at the entrance monuments.

D. Site Improvement:

1. Landscaping & Tree Replacement: Allowance 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 and common area tree replacement which may be determined by the Board of Directors.

E. General Maintenance:

1. Tree Maintenance: Allocation of funding necessary for the appropriate care of trees and shrubs located upon the common areas of the community. Such maintenance may include pruning and fertilization during the proper season, the take down (removal) of large dead trees and pest management of diseases and insects.

2. Site Maintenance & Repair, Electrical Repairs: Allocation of funding necessary for miscellaneous maintenance needs throughout the community common areas 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 irrigation system at the community entrance as well as for a semi-annual policing of the green spaces for trash in common areas and electrical repairs the lights at the entrance monuments.

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.

2. Maintenance Inspections: Allowance for annual community maintenance inspections.

3. Trash Removal: Allocation of funding for providing twice weekly curbside collection of trash for all single family detached and townhouse homeowners based upon current market rates for trash collection.

4. Snow Clearing: Funding allocated during the winter season for the clearing/plowing of snow and/or sanding in the privately owned streets and alleyways as well as the clearing and/or sanding of walkways that, based upon current 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 law requires private homeowners, including those in townhomes, to clear the sidewalks that are adjacent to their homes, even though they may actually be common sidewalks.

G. Operating Contingency: Provision for possible unexpected expenses which exceed the above budgeted amounts.

POTOMAC CROSSING HOMEOWNERS ASSOCIATION, INC.
2016 OPERATING BUDGET

January 1 to December 31

TOWNHOUSE SUPPLEMENTAL BUDGET SUMMARY

Quarterly Assessment:		
Additional Townhouse Assessment:	<u>\$52.00</u>	5.0% Increase over 2015
Total Townhouse Assessment:	<u>\$172.00</u>	3.9% Increase over 2015

Owners are reminded that budgets reflect an estimated projection of anticipated expenses and revenues and, as such, are subject to change based upon actual circumstances.

	Approved 2016 BUDGET TOTAL:	Approved 2015 BUDGET TOTAL:
SETTLED HOMES:		
Townhouses	76	76
<i>Total Settled Units:</i>	<u>76</u>	<u>76</u>
INCOME:		
Residential Assessments:		
Additional Townhouse Assessment	\$15,808.00	\$15,054.08
ADJUSTED INCOME:	<u>\$15,808.00</u>	<u>\$15,054.08</u>
EXPENSES:		
Reserve Contributions: 2013 Reserve Study		
Gross Contribution	\$7,617.04	\$6,797.40
<i>Sub-Total:</i>	<u>\$7,617.04</u>	<u>\$6,797.40</u>
Less: Reserve Interest:	(\$3,004.45)	(\$2,938.70)
<i>Net Reserve Contribution:</i>	<u>\$4,612.59</u>	<u>\$3,858.70</u>
Utilities:		
Electricity	\$1,080.00	\$1,080.00
<i>Sub-Total:</i>	<u>\$1,080.00</u>	<u>\$1,080.00</u>
General Maintenance:		
Street Light Repairs	\$100.00	\$100.00
<i>Sub-Total:</i>	<u>\$100.00</u>	<u>\$100.00</u>
Contract Maintenance:		
Snow Clearing	\$10,015.41	\$10,015.35
<i>Sub-Total:</i>	<u>\$10,015.41</u>	<u>\$10,015.35</u>
Contingency:		
Operating Contingency	\$0.00	\$0.00
<i>Sub-Total:</i>	<u>\$0.00</u>	<u>\$0.00</u>
TOTAL EXPENSES:	<u>\$15,808.00</u>	<u>\$15,054.05</u>
NET INCOME/(LOSS)	(\$0.00)	\$0.03

POTOMAC CROSSING HOMEOWNERS ASSOCIATION
2016 SUPPLEMENTAL TOWNHOUSE BUDGET NOTES

I. INCOME:

A. Owner Assessments: The additional income generated from the quarterly townhouse supplemental assessment charged to all townhouse homeowners pursuant to the Declaration for the Association.

Each townhouse within the community is charged a supplemental assessment that, generally, includes the electricity, street light repairs, and additional townhouse snow clearing specific to the townhouse sections of Potomac Crossing Homeowners Association. **Each of the expenses are explained more fully in these notes.**

II. EXPENSES:

A. Reserve Contributions: The calculations of the reserve contributions are based upon the Reserve Study which was completed in 2013 by Miller Dodson and primarily includes maintenance and replacement of the private townhouse roadways and sidewalks. The reserve amount recommended by Miller Dodson is not fully funded by the reserve amount due to the 5% assessment cap.

1. Gross Replacement Reserve Contribution: The total gross reserve contribution necessary to meet the funding goals established through a reserve study 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 in 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:

1. Electricity: Allowance for the operation of the townhouse area lighting.

2. Snow Clearing: Funding allocated during the winter season for the clearing/plowing of snow and/or sanding at the townhouse roadways and/or drive lanes, parking areas and walkways on or adjacent to the property of the Association that, based upon current 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 law requires private homeowners, including those in townhomes, to clear the sidewalks that are adjacent to their homes, even though they may actually be common sidewalks.

C. Maintenance Expense:

1. Street Light Repairs: Allocation of funding for the maintenance of lights in the townhouse areas.

D. Operating Contingency: Provision for those unexpected expenses encountered by the Association which exceed the above budgeted amounts.