

Association of Apartment Owners of XYZ Villas
(A 127-Unit Condominium Property Regime)
Adopted Budget Summary
Effective January 1, 2012
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10/25/11 cr

	2011		2011		2012		2012		% Incr/-Decr over prev.
	CURRENT ANNUAL BUDGET	% of Total	PROJECTED ANNUAL (Based on 8 mo. actual)	% of Total	ADOPTED MONTHLY BUDGET	% of Total	ADOPTED ANNUAL BUDGET		
I. REVENUES:									
Membership Income									
A. Maintenance Fees	\$ 528,324	84.10%	\$ 528,324	83.85%	\$ 45,418	84.12%	\$ 545,016		3.16%
B. Statutory Reserve Fund	99,420	15.83%	99,420	15.78%	8,534	15.81%	102,408		3.01%
C. Delinquent Charges	360	0.06%	2,083	0.33%	30	0.06%	360		0.00%
D. Fines, Violations & Other Misc Income	-	0.00%	105	0.02%	-	0.00%	-		n/a
Subtotal Membership Income	628,104	99.98%	629,933	99.98%	53,982	99.99%	647,784		6.16%
Non-Membership Income									
E. Interest	96	0.02%	126	0.02%	8	0.01%	96		0.00%
Subtotal Non-Membership Income	96	0.02%	126	0.02%	8	0.01%	96		0.00%
Total Revenues	\$ 628,200	100.00%	\$ 630,058	100.00%	\$ 53,990	100.00%	\$ 647,880		6.16%
II. OPERATING EXPENSES:									
A. Administrative Expense	\$ 27,288	4.34%	\$ 40,126	6.37%	\$ 2,227	4.12%	\$ 26,724		-2.07%
B. Employee Costs	103,304	16.44%	97,781	15.52%	8,570	15.87%	102,829		-0.46%
C. Insurance	58,530	9.32%	47,216	7.49%	4,919	9.11%	59,027		0.85%
D. Professional Fees	40,029	6.37%	43,651	6.93%	3,496	6.48%	41,954		4.81%
E. Repairs & Maintenance	98,344	15.65%	145,313	23.06%	8,947	16.57%	107,362		9.17%
F. Tax Expense	3,268	0.52%	2,140	0.34%	272	0.50%	3,268		0.00%
G. Utilities	185,864	29.59%	187,670	29.79%	16,192	29.99%	194,300		4.54%
H. Reserve and Other Expenses	99,420	15.83%	100,235	15.91%	9,367	17.35%	112,408		13.06%
Total Operating Expenses	\$ 616,047	98.07%	\$ 664,132	105.41%	\$ 53,990	100.00%	\$ 647,873		29.90%
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ 12,153		\$ (34,074)		\$ (0)		\$ 7		
III. OTHER SOURCES & USES OF CASH									
A. Rollover IRS R.R. 70-604	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -		n/a
Total Other Sources & Uses of Cash	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -		n/a
ADJUSTED EXCESS (DEFICIT)	\$ 12,153		\$ (34,074)		\$ (0)		\$ 7		

Prepared By Destination Maui, Inc., Managing Agent, Minnie Mouse, Secretary/Treasurer.

Adopted By Board Of Directors On November 7, 2011.

This budget has been prepared on the accrual basis of accounting.

*See the attached Statutory Reserve Fund Schedule.

I. REVENUES:
Membership Income

A. Maintenance Fees. Please note that the Association-owned Unit #C-201's Common Interest Percentage ("CIP") of .7440% has been re-allocated to the remaining 126 units, based on the following calculations:

	NO.OF UNITS	ORIGINAL CIP	ADJ NO. OF UNITS	FACTOR	ADJ CIP	TOTAL ADJUSTED CIP	% Incr-/Decr over prev.
1-BR	107	0.7440%	106	78.8640%	0.7495%	79.4487%	
2-BR	20	1.0200%	20	20.4000%	1.0276%	20.5513%	
	127		126	99.2640%		100.0000%	

A. Maintenance Fees
 ("M/F") have been recalculated, as follows:

	NO.OF UNITS	ADJUSTED CIP	OLD M/F	INCR (DECR)	NEW M/F	
1-BR	106	0.7495%	\$329.90	\$10.43	\$340.33	3.16%
2-BR	20	1.0276%	\$452.87	14.30	467.17	3.16%
	126		\$44,027	\$1,391	\$45,418	

B. Statutory Reserve Fund
 ("SRF") has been recalculated, as follows:

	NO.OF UNITS	ADJUSTED CIP	OLD SRF	INCR (DECR)	NEW SRF	
1-BR	106	0.7495%	\$62.10	\$1.86	\$63.96	3.00%
2-BR	20	1.0276%	\$85.13	2.56	87.69	3.00%
	126		\$7,544	\$8,285	\$249	\$8,534

Note: Monthly Coupon amounts, combining the Maintenance Fees and Statutory Reserves, will be as follows:

	NO.OF UNITS	COMMON INT. %	OLD COUPON	INCR (DECR)	NEW COUPON	
1-BR	106	0.7495%	\$392.00	\$12.29	\$404.29	3.13%
2-BR	20	1.0276%	538.00	16.86	554.86	3.13%
	126		\$52,312	\$1,640	\$53,952	

A/C	2011 CURRENT ANNUAL BUDGET	2011 PROJECTED ANNUAL (Based on 8 mo. actual)	2012 ADOPTED MONTHLY BUDGET	2012 ADOPTED ANNUAL BUDGET	%
					Incr/Decr
415 C. Delinquent Charges Delinquency charges assessed at 1% per month.	\$ 360	\$ 2,083	\$ 30	\$ 360	0.00%
Non-Membership Income					
425 D. Fines, Violations & Other Misc Income	\$ -	\$ 105	\$ -	\$ -	n/a
430 E. Interest Based on an average checking balance of \$30,000, at an average annual interest rate of .29% and an average operating saving balance of \$3,000 @ .29%. Interest income on replacement reserves is budgeted in the Statutory Reserve Fund.	\$ 96	\$ 126	\$ 8	\$ 96	0.00%
	\$ -	\$ 105	\$ -	\$ -	n/a
430 F. Maintenance Fees Previously Written Off Fees that are collected thru Collection or Escrow that were written off in the previous year.	\$ -	\$12,484	\$ -	\$ -	n/a
II. OPERATING EXPENSES:					
A. Administrative Expense					
610 1. Auto Allowance Mileage reimbursed at the IRS standard mileage rate, not to exceed \$60/month, is paid to the Resident Manager for use of personal vehicle while on Association business. A mileage log is to be kept by the Resident Manager.	\$ 720	\$ -	\$ 60	\$ 720	0.00%
620 2. Bad Debt Fees that are uncollectable due to foreclosures, bankruptcy, etc.	12000	21,533	1000	12000	
3. Bank Fees					
625 The Bank charges for returned payment such as NSF, wrong account number, etc.	-	30	-	-	n/a
4. Commission					
630 The collection agency keeps a percentage of the amounts collected.	-	4,628	-	-	n/a
5. Dues and Subscriptions					
645 This amount includes payments for the Condominium Council of Maui at \$25/year and the Kihei Condominium Association at \$50/year. The bi-annual Real Estate Condominium Education Fund at \$2/unit/year plus an annual \$25 fee (next due May 2013),	639	920	6	75	-88.26%
686 6. Finance Charge - Insurance The Worker Comp policy is financed.	929	-	77	929	0.00%
687 7. Insurance Claims	-	0	-	-	n/a
710 8. Meetings					
a. For expenses incurred for the Annual Owners' Meeting and party. Includes room rental, teleconference, refreshments, catering, entertainment, etc. \$2,000 is budgeted for the AOM venue. The quarterly Board meetings and conference calls.	6,000	5,459	500	6,000	0.00%
b. Recording secretary for 4 quarterly Board meetings and the Annual Owners Meeting. Services provided by Enza Froio of Aloha Office Services: \$42/hr. for weekdays, \$45/hr. for weekends/evenings & travel time.	1,000	1,125	83	1,000	0.00%
Total Meetings	7,000	6,585	583	7,000	0.00%
715 9. Office & Administrative For expenditures incurred by the Board, Managing Agent, and Resident Manager, for such items as photocopies, postage, supplies, bank charges, etc.	6,000	6,430	500	6,000	0.00%
Total Administrative Expenses	\$ 27,288	\$ 40,126	\$ 2,227	\$ 26,724	

A/C	2011 CURRENT ANNUAL BUDGET	2011 PROJECTED ANNUAL (Based on 8 mo. actual)	2012 ADOPTED MONTHLY BUDGET	2012 ADOPTED ANNUAL BUDGET	%
					Incr/Decr
B. Employee Costs					
648 1. Seminars/Education For the Resident and Assistant Managers @ \$100 each.	\$ 200	\$305	\$ 17	\$ 200	0.00%
651 2. Bonuses: Bonuses are paid to the Manager and Assistant Manager, usually around Xmas, at the discretion of the Board.	600	-	50	600	0.00%
652 3. Housing: Resident Manager's resides in association owned unit C-201. The monetary value is reported for employment compensation purposes only	15,000 (15,000)	-	1,250 (1,250)	15,000 (15,000)	0.00%
653 4. Medical Coverage: Medical coverage is required under the Hawaii Prepaid Health Care Law for all employees who work more than 20 hours/week. Benefits are paid for the Resident Manager for the least expensive plan, the difference is paid by the employee, the assistant Manager has declined coverage. A 10% increase is budgeted, effective 7/1/12. HMSA - 1 @ \$402.06 (This is Kaiser's rate) HDS - 1 @ \$26.15	11,388	5,434	450	5,400	-52.58%
782 5. Resident Manager: The Resident Manager is Joe Blow. Original hire date: 7/28/10 as Asst Manager, promoted to Manager 9/1/10. His duties include the upkeep of the building and grounds, enforcement of House Rules, and providing general security. Current monthly salary is \$4,333.34. A 4% increase is budgeted.	50,000	50,000	4,391	52,693	5.39%
783 6. Assistant Manager: John Doe. Hire date: 5/20/08. Current monthly salary is \$2,317.50. No increase is budgeted.	27,810	28,558	2,318	27,810	0.00%
788 7. Relief Manager \$100 per day for two weeks at 5 days per week. Total Salaries & Wages	<u>1,000</u> <u>78,810</u>	<u>-</u> <u>-</u>	<u>83</u> <u>6,792</u>	<u>1,000</u> <u>81,503</u>	0.00% 3.42%
801 8. Employer Payroll Insurance: 4.53 % Workers' Compensation <u>.46 TDI</u> 4.99 % Total Payroll Insurance *	5,748	6,035	401	4,812	-16.28%
802 9. Employer Payroll Taxes: 7.65 % Employer FICA/Medicare .60 Federal Unemployment <u>4.02 State Unemployment</u> 12.27 % Total Payroll Taxes * * W/C, TDI, & SUTA are paid on lodging allowances for Resident Manager. Unit valued at \$1250/mo.	6,408	7,318	847	10,164	58.61%
812 10. Uniforms Total Employee Costs	<u>150</u> <u>\$ 103,304</u>	<u>131</u> <u>\$ 97,781</u>	<u>13</u> <u>\$ 8,570</u>	<u>150</u> <u>\$ 102,829</u>	
C. Insurance					
677 1. Fidelity Bond: \$100,000 for loss of Money, Securities, or other property due to fraudulent or dishonest acts of officers, directors, employees, or property managers who have the authority to collect, deposit, transfer, or disburse Association funds. \$1,000 deductible. Policy renews 11/12/12. No increase is budgeted per vendor.	\$ 459	\$ 459	\$ 38	\$ 459	0.00%

A/C	2011 CURRENT ANNUAL BUDGET	2011 PROJECTED ANNUAL (Based on 8 mo. actual)	2012 ADOPTED MONTHLY BUDGET	2012 ADOPTED ANNUAL BUDGET	%
					Incr/Decr
C. Insurance (con't)					
678 2. Boiler/Equip & Mach:					
\$21,718,590 equipment breakdown limit including electrical, mechanical and pressure equipment and property damage. Coverage includes both real property, such as water heating, air conditioning, swimming pool equipment and electrical systems, and business personal property, such as office equipment. \$5,000 deductible. Policy renews 11/12/12. No increase has been budgeted per vendor.	1,620	472	135	1,620	0.00%
679 3. Directors and Officers Liability					
\$1,000,000 per occurrence and \$1,000,000 policy limit with a \$2,500 deductible for claims against the "entity" and "individual insured's" (includes Directors, Trustees, Officers, Employees, Committee Members or Volunteers) while acting in their elected or appointed capacities. Property Manager is named as additional insured. Policy also includes Wrongful Employment Practices Liability coverage. Policy renews 7/30/12. A 15% increase budgeted per vendor.	1,620	1,618	155	1,861	14.88%
680 4. Fire/Property:					
\$19,466,730 for Replacement Cost on Buildings with Agreed Amount Endorsement (No Co-Insurance Penalty), including \$80,000 Business Personal Property and \$1,00,000 Ordinance & Law for increased cost of construction & debris removal. This portion of the insurance is provided with a \$5,000 AOP Deductible and 2% per Building Hurricane Damage Deductible. Policy renews 11/12/12. An increase of 4% has been budgeted per vendor.	46,104	36,058	3,842	46,104	0.00%
683 5. Comprehensive General Liability:					
Coverage for \$1,000,000 bodily injury and property damage liability per occurrence and \$2,000,000 Aggregate limit. Includes blanket contractual liability, host liquor, swimming pool liability, cross suits, personal injury including employees as additional insured's, Broad Form Property damage, \$100,000 Fire Legal Liability, and Individual Unit Owners and Property Manager as additional insured's. Includes \$1,000,000 Non-owned/hired auto liability and medical payments to others. \$500 Deductible. Policy renews 11/12/12. No increase has been budgeted per vendor.	5,808	5,689	484	5,808	0.00%
684 5. Commercial Umbrella Liability Policy:					
\$15,000,000 per occurrence and \$15,000,000 aggregate limit excess coverage for all liability insurance carried for the association. Includes excess Directors & Officers liability. Policy renews 7/30/12. A 4% increase has been budgeted per vendor.	<u>2,919</u>	<u>2,921</u>	<u>265</u>	<u>3,175</u>	8.77%
Total Insurance	<u>\$ 58,530</u>	<u>\$ 47,216</u>	<u>\$ 4,919</u>	<u>\$ 59,027</u>	0.85%
D. Professional Fees					
705 1. Management Fees					
For the property and fiscal management services provided by Destination Maui, Inc. previous rate of \$2,600/month plus GET. An increase of \$100/month plus GET has been budgeted.	\$ 32,448	\$ 32,448	\$ 2,808	\$ 33,696	3.85%
730 2. Security					
Roving patrols	-	4,172	-	-	n/a
731 3. Audit Fees:					
Chapter 514-B mandates an annual audit and surprise cash verification. Karl Yamada, CPA will perform the audit, cash verification, and prepare the Association's annual income tax returns for a total of \$4,010.00 including GET.	3,333	3,438	334	4,010	20.31%
732 4. Legal:					
For attorney fees incurred in conjunction with legal matters affecting the Association. This does not include legal fees for delinquencies as they are charged to the Owners.	3,000	2,346	250	3,000	0.00%

A/C	2011 CURRENT ANNUAL BUDGET	2011 PROJECTED ANNUAL (Based on 8 mo. actual)	2012 ADOPTED MONTHLY BUDGET	2012 ADOPTED ANNUAL BUDGET	%
					Incr/Decr
D. Professional Fees (cont)					
734 5. Year-End Accounting: For the annual review, closing, and preparation of the work papers for the annual audit. Includes the Hawaii General Excise Tax.	1,248	1,248	104	1,248	0.00%
Total Professional Fees	<u>\$ 40,029</u>	<u>\$ 43,651</u>	<u>\$ 3,496</u>	<u>\$ 41,954</u>	4.81%
E. Repairs & Maintenance					
746 1. Buildings: For repairs and routine maintenance of the common element portions of the buildings, including plumbing, minor carpentry, exterior lighting, steam clean/sanitize trash chutes, electrical, arrival/registration office, and other general building repairs.	\$ 13,000	\$ 45,312	\$ 1,550	\$ 18,600	43.08%
747 2. Apartment C-201: For the repairs and routine maintenance of the Association owned unit occupied by the Manager.	600	1,439	50	600	0.00%
748 3. Elevator: Based on the contract with Thyssenkrupp Elevator Service at \$1,360/quarter excluding GET. A 7% increase is budgeted. Also includes annual DOL HOSHA inspection \$570.00.	6,744	4,406	572	6,864	1.78%
750 4. Equipment: For small tool and equipment purchases and repairs and maintenance of the Association owned equipment, including office and lawn items.	816	449	68	816	0.00%
752 5. Fire Equipment: For the annual inspection of 26 ea 5 lb. ABC fire extinguishers, 24 fire hoses and nozzles, by Maui Fire Control at approximately \$912.50/year; the annual alarm testing by National Fire Protection for \$500/year plus GET and the Fire Line Service provided by the County Dept. of Water Supply at \$82/year.	1,512	1,471	126	1,512	0.00%
754 6. Grounds: Landscape maintenance of the common area grounds, including small tools, irrigation system, sprinkler heads & plants.	4,000	16,594	333	4,000	0.00%
755 7. Grounds Contract: Services provided by He-Man Landscaping for the common area grounds is \$3081 per month including GET. Services started 10/09 with a 30 day notice to terminate. A 4.5% increase has been budgeted to cover increases in overhead per vendor.	36,972	36,977	3,220	38,636	4.50%
720 8. Operating Supplies For general supplies, toilet paper, soaps, etc.	-	-	50	600	n/a
760 9. Pest Control: Based on the contract with Mid Pacific Pest Control, Inc. at \$855/quarter, includes foliage treatment of Plumerias and Hong Kong Orchids. A 5% increase is budgeted. Add'l foliage treatment is \$20 per tree and spot treatments for termites, etc.. are \$125 ea. Amounts excludes GET.	6,360	4,871	378	4,536	-28.68%
762 10. Pool: For the maintenance of the swimming pool and hot spa, including chemicals, supplies, pump and filter maintenance, etc.	5,916	12,002	600	7,200	21.70%
764 11. Refuse Collection: Based on the contract with Maui Waste Services, Inc. at \$1,605.68/month, includes solid waste \$1,449.43; recycling totes at \$156.25; rental fee \$50.00 plus tax. \$20/month for extra yardage. A 4% increase has been budgeted.	20,112	19,268	1,708	20,496	1.91%
766 12. Sewer Cleanouts: For the periodic clean out of the sewer lines by Maui Sewer and Drain Service @ \$1057.28 twice/ year. No Increase per vender	2,112	1,594	176	2,112	0.00%

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					Incr/Decr
E. Repairs & Maintenance (con't)					
768 13. Tree Trimming					
Advance Landscaping & Maintenance does a spikeless trimming of 17 trees, 2 times a year @ \$35/tree. No increase is budgeted per vender.	-	930	99	1,190	n/a
769 14. Towing:					
For removal of abandoned or unauthorized vehicles. Kitagawa budgeted at \$200 year for annual fee.	<u>200</u>	-	<u>17</u>	<u>200</u>	0.00%
Total Repairs & Maintenance	<u>\$ 98,344</u>	<u>\$ 145,313</u>	<u>\$ 8,947</u>	<u>\$ 107,362</u>	9.17%
F. Tax Expense					
796 1. Hawaii General Excise Tax:					
The 4% Hawaii General Excise Tax is assessed on income items such as delinquent fees, commissions, interest, etc.	\$ 372	\$ 152	\$ 31	\$ 372	0.00%
804 2. Taxes - Real Property:					
For real property taxes paid to the County of Maui on Unit C-201 in February and August each year. \$946.40 due in August 11 and \$946.40 due February 2012.	1,896	1,988	158	1,896	0.00%
940 1. Federal income taxes for the Association.	1,000	-	83	1,000	0.00%
940 2. State income taxes for the Association. None budgeted as the reserves interest is derived from U.S. obligation securities, making it tax-exempt from Hawaii taxes.	-	-	-	-	n/a
Total Tax Expenses	<u>\$ 3,268</u>	<u>\$ 2,140</u>	<u>\$ 272</u>	<u>\$ 3,268</u>	0.00%
G. Utilities					
826 1. Cable TV:					
Contract with Oceanic Cable is currently at \$3,061.47/month. A 4% increase is budgeted.	\$ 36,144	\$ 36,738	\$ 3,184	\$ 38,208	5.71%
828 2. Electricity:					
For the period 8/10 to 7/11, the Association used a total of 127,100 KWH, or an average of 10,592 KWH/month. The kwh current rate is \$.38 /KWH. A 5.5% increase is budgeted.	44,580	47,759	4,246	50,952	14.29%
830 3. Gas:					
For the period 12/09 to 8/09, the Association used a total of 353 gal., or an average of 39.5 gal/mo, for 4 propane tanks used for the BBQ's. The current rate is \$5.718/gal plus \$14 service charge per month for 2 accounts and GET. A 30 cent per gal. increase is budgeted.	3,200	3,265	267	3,200	0.01%
832 4. Sewer Fee:					
Effective 7/1/11, Maui County assesses a sewer connection fee of \$51.70 per unit per bi-monthly billing period, plus \$3.55 per gallon discharged into the system per billing period, with a maximum charge of \$91.56 per unit per billing period. No increase budgeted at this time.	65,424	64,577	5,452	65,424	0.00%
834 5. Telephone:					
The Association incurs the following monthly telecommunications expenses: Office phone/fax line (874-6226) at \$114, Elevator (874-7437) at \$83; Cell phones (870-5512 & 870-5514) for Res. Mgr. and Asst. Mgr. estimated at \$135; Pay phone (879-9686) at \$78; and Destination Maui charges for long distance and faxes at \$5/month. No increase is budgeted at this time.	4,968	4,998	414	4,968	0.00%

<u>A/C</u>	2011 CURRENT ANNUAL BUDGET	2011 PROJECTED ANNUAL (Based on 8 mo. actual)	2012 ADOPTED MONTHLY BUDGET	2012 ADOPTED ANNUAL BUDGET	% Incr/Decr
G. Utilities (con't)					
838 6. Water:					
Usage for the period 9/10/10 to 8/02/11 totaled 6,542 thousand gallons, or an average of 545 thousand gallons/month. Effective 7/1/11, the County of Maui charges a bi-monthly base charge of \$130, plus: \$1.70 per thousand gals. for the first 10,000 gals; \$3.00 per thousand gals for the second 20,000 gals; and \$4.30 per thousand gals, thereafter. No increase has been budgeted.	<u>31,548</u>	<u>30,334</u>	<u>2,629</u>	<u>31,548</u>	0.00%
Total Utilities	<u>\$ 185,864</u>	<u>\$ 187,670</u>	<u>\$ 16,192</u>	<u>\$ 194,300</u>	4.54%
H. Reserve and Other Expenses					
910 1. Depreciation					
Depreciation is a non-cash expense. Therefore, no amount is budgeted.	\$ -	\$ 199	\$ -	\$ -	n/a
951 2. Contingency					
For unscheduled expenses	-	-	833	10,000	n/a
915 3. Statutory Replacement Reserve Fund *					
Chapter 514-B, Condominium Property Regime of the Hawaii Revised Statutes, requires that all condominiums maintain a replacement fund. See the attached Statutory Reserve Schedule	<u>99,420</u>	<u>99,422</u>	<u>\$8,534</u>	<u>102,408</u>	0
930 4. Penalty and other Expenses					
	<u>-</u>	<u>\$614</u>	<u>-</u>	<u>-</u>	n/a
Total Reserves and Other Expenses	<u>\$ 99,420</u>	<u>\$ 100,235</u>	<u>\$ 9,367</u>	<u>\$ 112,408</u>	
III. OTHER SOURCES & USES OF CASH					
A. Rollover IRS R.R. 70-604					
Estimate of excess membership income rolled over, pursuant to IRS Revenue Ruling #70-604.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	