



COMMUNITY BUILDER

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Budget Preparation and Completion

It's that time of year again! It's budget season!

While this time of year can be especially challenging with a list of other actions and competing demands, there are ways to help remain calm and in charge as the board fulfills the responsibility to plan for the community's upcoming financial needs.



Setting a reasonable schedule helps establish goals for completing and approving the budget. Perhaps the most important step is to start early and a good rule of thumb is to begin the process in July and August each year for calendar year budgets. This will ensure adequate historical numbers for forecasting but still allow plenty of time to approve the budget. Working closely with your Community Manager will be paramount in ensuring that the process remains smooth and timely.

Your Community Manager will provide an initial draft based on the year-to-date actual income and expenses which may include projections drawn from those numbers and known income and expenses for the rest of the year. The manager will review the year-to-date totals against year-to-date and twelve-month budgets to help you determine the best budgetary measures for the coming year. As you work through the numbers, check the Community Manager's notes for recommended changes to specific line items. These notes will be critical when making final decisions and having conversations with the membership of your community.

While some numbers in a budget are more fluid, other numbers represent known amounts. During your preparation, the board and the manager will need to review contracts and speak with vendors to determine service cost amounts for the upcoming

year. Budget season is also a great time to review insurance policies, determine if coverage is adequate, and make necessary changes. Even if it's too early to receive contract renewal agreements, CPA engagements, or insurance premium totals, now is a great time to start those discussions. Preparing a budget can serve as a "checklist" for expenses you can't forget to plan for, such as CPA services for tax filing and state license renewals.

The board may also want to discuss any necessary repairs, enhancements, and capital projects anticipated so that the budget can reflect those figures. Additionally, reviewing reserve accounts will help determine if they are adequately funded and how funding may need to change in the upcoming year. Depending on local requirements, this may also include a review of your current reserve study and preparation of a new one.

Once drafts are complete, the board can begin having conversations about any desired changes. The earlier you can get the budget approved, the better. The goal is that a completed and approved budget is ready for submission no later than the beginning of November. Early and on-time submission helps ensure that there is plenty of time for printing and mailing the budget package to community members.

The budget season can be challenging, but once done, you can take a deep breath and celebrate your success. You won't have to do this again...until next year.

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Joseph Barrows started in the industry with Sentry 11 years ago as a Community Association Manager. He achieved earning his CMCA and AMS credentialing and continued his career by serving as the Assistant Division Manager and Division Manager for the Loudoun, VA office. Joseph is now proud to be a member of Sentry's Training and Development Team.



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