

# *The Legends at Grove City Condominium Association*

*Finance Policy*

*F-01*

## *Policy on Budget Development*

*Drafted: January 17, 2024*

*Adopted: February 14, 2024*

*Revised:*

## *Policy on Budget Development*

The Fiscal year is January 1 to December 31.

The Budget will be developed no later than December 1.

The Budget will be available to the unit owners no later than December 5.

After the Election of new Board members at the Annual meeting, the new Board members will have input into the Budget development.

The Budget will separate common and limited common expenses.

The Budget will include amounts for Common reserve, Limited Common Reserve and the capital improvement fund.

Reserves shall be maintained in a separate fund.

Within one hundred twenty (120) days after the end of the fiscal year of the Association, the Executive Board shall supply to all Unit Owners an itemized accounting of the Common Expenses for the preceding fiscal year actually incurred and paid together with a tabulation of the amounts collected pursuant to the annual budget or assessment; and lessee and sales of property owned and managed by the Board on behalf of the Association, and showing the net excess or deficit of income over expenditures plus reserves.

## *Legal Document References*

**Public Offering:** No Reference

### **Declaration of Condominium**

General Common Expenses means Common Expenses, excluding limited Expenses.

Limits on Expenditures. These shall be no structural alterations, capital additions to, or capital improvements on the Common Elements (other than for purposes of repairing, replacing and restoring portions of the Common Elements) requiring an expenditure in excess of ten (10%) percent of the total budget of the Association for that fiscal year without the prior approval of a majority of the Unit Owners entitled to vote.

Reserve. Each annual budget for Common Expenses may include an amount reasonably considered by the Executive Board to be sufficient as a reserve for replacements, contingencies, capital expenditures and deferred maintenance. In addition, the Executive Board shall have the right to segregate all or any portion of reserve for any specific replacement or contingency upon such conditions as the Executive Board deems appropriate.

Accounting. Within one hundred twenty (120) days after the end of the fiscal year of the Association, the Executive Board shall supply to all Unit Owners an itemized accounting of the Common Expenses for the preceding fiscal year actually incurred and paid together with a tabulation of the amounts collected pursuant to the annual budget or assessment; and lessee and sales of property owned a managed by the Executive Board on behalf of the Association, and showing the net excess or deficit of income over expenditures plus reserves.

### **By-Laws:**

FISCAL YEAR. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Executive Board; provided, however, that the first fiscal year shall begin upon the recordation of the Declaration.

### PREPARATION AND APPROVAL OF BUDGET.

5.2.1 On or about the first day of December of each year (or thirty (30) days before the beginning of the fiscal year if the fiscal year is other than the calendar year), the Executive Board shall adopt any annual budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units as to which it is the responsibility of the Executive Board to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Act, the Declaration, these By-laws or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Real Estate and the rendering to the Unit Owners of all related services. Such

budget shall also include such reasonable amounts as the Executive Board Considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. The budget shall segregate General Common Expenses.

On or before the fifth day of December (or twenty (20) days before the beginning of the fiscal year if the fiscal year is other than the calendar year), the Executive Board shall make the budget available for inspection at the Association office and shall send to each Unit Owner a copy of the budget in a reasonable itemized form that sets forth the amount of the Common Expenses. Such budget shall constitute the basis for determining each Unit Owners' assessments for General Common Expenses of the Association and shall automatically take effect at the beginning of the fiscal year for which it is adopted, subject to Section 5.8 below.

The Executive Board shall make reasonable efforts to meet the deadlines set forth above, but compliance with such deadlines shall not be a condition precedent to the effectiveness of any budget.

**LIMITED COMMON EXPENSES.** The Executive Board shall calculate the quarterly assessments for Limited Common Expenses, if any, against each Unit obligated to pay Limited Common Expenses by multiplying (a) the total amount of the estimated funds required for Limited Common Expenses set forth in the budget adopted by the Executive Board for the fiscal year in question, after deducting any income expected to be received from the operation of the Limited or Reserved Common Elements to which the Limited Common Expenses pertain other than Limited Common Expense Assessments by (b) the share of Limited Common Expenses (expressed in decimal form) allocated to each such Unit, and dividing the resultant product by (c) the number of quarters in such fiscal year. Such assessments shall be deemed to have been adopted and assessed on a quarterly basis and not on an annual basis, shall be due and payable on the first day of each quarter and shall be a lien against each Unit Owner's Unit as provided in the Act and the Declaration.

Within one hundred twenty (120) days after the end of each fiscal year, the Executive Board shall prepare and deliver to each Unit Owner and to each Permitted Mortgagee who has registered an address with the Secretary an itemized accounting of the Limited Common Expenses and funds received during such fiscal year less expenditures actually incurred and sums paid into reserves. Any net shortage with regard to Limited Common Expenses, after application of such reserves as the Executive Board may determine, shall be assessed promptly against the Unit Owners obligated to pay Limited Common Expenses in accordance with their allocable share of Limited Common Expenses and shall be payable in one or more monthly assessments, as the Executive Board may determine.

**RESERVES.** The Executive Board may build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year may be charged first against such reserves. If the reserves are deemed to be inade-

quate for any reason, including non-payments of any Unit Owner's assessments, the Executive Board may at any time levy further assessments for General Common Expenses which shall be assessed against the Unit Owners according to their respective Percentage Interest with regard to General Common Expenses and shall be payable in one or more quarterly assessments as the Executive Board may determine for said purposes may be classified as capital contributions at the discretion of the Board.

**EFFECT OF FAILURE TO PREPARE OR ADOPT BUDGET.** The failure or delay of the Executive Board to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his allocable share of the Common Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Unit Owner shall continue to pay each quarterly assessment at the rate established for the previous fiscal year until the new annual or adjusted budget shall have been adopted.

**ACCOUNTS.** All sums collected by the Executive Board with respect to assessments against the Unit Owners or from any other source may be commingled into a single fund. Reserves shall be maintained in a separate fund, although different types of reserves may be commingled in one fund. All books and records of the Association shall be kept in accordance with good and generally accepted accounting practices, and the same shall be reviewed and a compilation prepared at least once each year by an independent accountant retained by the Executive Board.

**REJECTION OF BUDGET; LIMITATIONS ON EXPENDITURES AND BORROWING.** Anything herein to the contrary notwithstanding, the Association, by majority vote of all votes in the Association, may reject any budget or capital expenditure approved by the Executive Board, within thirty (30) days after approval by the Executive Board. The power of the Executive Board to expend funds, incur expenses or borrow money on behalf of the Association is subject to the requirement that the consent of a majority of the Unit Owners entitled to cast votes in the Association obtained at a meeting duly called and held for such purpose in accordance with the provisions of the By-laws, shall be required to (i) expend funds or incur expenses that it is reasonably anticipated will cause the aggregate amount of all expenses in the budget (including reserves) to be exceeded by more than ten (10%) percent of such aggregate amount after taking into account any projected increase in income, and (ii) to borrow money so that loans of the Association then outstanding would exceed ten (10%) percent of such aggregate amount.

Annual financial statements.--Within 180 days after the close of its fiscal year, the association in any planned community having more than 12 units or subject to any rights under section 5215 (relating to subdivision or conversion of units) or 5211 (relating to conversion

and expansion of flexible planned communities) shall prepare annual financial statements consisting of at least a balance sheet and a statement of revenues and expenses for the association. The cost of preparing the financial statements shall be a common expense. Each unit owner shall be entitled to receive from the association, within 30 days after submitting a written request to the association, a copy of the annual financial statements and, if such financial statements are audited, reviewed or compiled by an independent certified public accountant or independent public accountant, a copy of the independent accountant's report on the financial statements. The association may charge a fee not to exceed the cost of producing copies of records other than the financial statement.

**PA Code:** No Reference

**Rules & Regulations** No References