



To: Members of Cherry Hill Village Homeowners Association, dba Cherry Hill Village II

From: Herriman & Associates, Inc.
Management Agent for
Cherry Hill Village Homeowners Association, dba Cherry Hill Village II

Date: December 24, 2014

Re: **2015 Operating Budget**

OVERVIEW

- Monthly assessments for 2015 will be \$365.00 beginning January 1, 2015.
- The increase will generate \$47,243. The entire increase will go into the reserve fund and will be used to retire debt and make additional major improvements.
- Major improvements were completed in 2014 and were largely funded by loan proceeds.
- 2015 budget includes a forecast of 2014 operating results.
- CPA will examine operating results for 2014 and year-end financial condition.
- Payment coupons are enclosed if you use them. If you use the ACH service, the deduction of your monthly payment will automatically continue, at the higher rate.

DETAILS

2015 Assessment:

At its meeting in December, the Association's Board of Directors approved the operating budget for 2015. While it does not include an additional assessment, the 2015 monthly assessment, at \$365.00 per unit, represents an increase of 7.4% over the current monthly assessment. The new rate is effective January 1, 2015.

Enclosed is a copy of the operating and reserve budgets for Cherry Hill Village II for 2015. While budgeted operating expenses for 2015 are less than budgeted operating expenses for 2014, they are \$15,970 higher than forecasted operating expenses for 2014.

The increase in assessments will generate \$47,243. The entire increase will help fund a \$65,000 increase in the allocation to the reserve fund. Reserve funds are used to retire debt (to repay the \$1,000,000 loan used for major maintenance, repairs and replacements) and to fund additional major improvements to the property. The increase in the allocation to the reserve fund is also funded by a decrease in total operating expenses, despite material increases in some expenses.

Insurance premiums have risen by more than 35% for 2015 (to \$45,650 annually) due to CHV II's casualty loss claim history. In 2014 alone, CHVII had more than \$100,000 in claims resulting from frozen water supply and fire suppression pipe.

Snow removal costs have risen as a result of adding additional services to clear snow from and treat ice in areas not previously being serviced.

December 24, 2014

Page two

Funding of Major Projects:

The Association completed major maintenance, repairs and replacements on all condominium units. Such work was funded with the proceeds of a \$1,000,000 loan from Mutual of Omaha Bank. The annual debt retirement will be \$155,000. In addition, CHV II has borrowed \$140,100 from CHV I. In order to fund the debt retirement obligation, and in order to have additional funds available for other maintenance, repairs and replacements during the 100 month loan repayment period, the Association has determined that it needs to contribute \$270,000 or more annually to the reserve fund. The reserve fund contribution for 2015 will be \$270,000.

2014 Projection of Operating Results:

The 2015 budget document includes a projection of 2014 income and expenses and a comparison of such income and expenses to budget. We are expecting a favorable variance in 2014 operating results (of \$25,212). There have been, however, material negative variances in reserve fund expenditures (accounted for separately from the annual operating budget) for major maintenance, repairs and replacements, most notably in the expense to replace wood, siding, doors, and other exterior components that failed prematurely, largely due to original construction defects and deficiencies.

CPA Examination for 2014:

The results of the Association's financial operations for 2014 and its financial condition as of December 31, 2014 will be examined by an independent certified public accounting firm. The examination report of the CPA firm will be made available to all members of the condominium community.

Payment Information:

If you currently use the electronic funds transfer (ACH) service, management will automatically continue the deduction of your monthly payments at the higher rate. If you have not signed up for ACH, a payment coupon booklet is enclosed.

Payments are due the first of each month and payable without late charge through the tenth of the month. Payments by mail are to be sent to Cherry Hill Village II, c/o Herriman & Associates, Inc., P.O. Box 701880 Plymouth, MI 48170-0972.

If you have any questions, comments or suggestions, please do not hesitate to call any director or Dan Herriman, management representative, at 734-459-5440. Dan's email is dherriman@herriman.net.

Enclosure(s)

CHERRY HILL VILLAGE HOMEOWNERS ASSOCIATION
dba Cherry Hill Village II
2014 Forecast & 2015 Budget

	2014	2014	2014	2015	2015
	Forecast	Budget	Variance	Budget	Budget
			Forecast		Per Unit
Average Member Assessments-Per Month	\$ 339.76	\$ 339.76		\$ 365.00	\$ 365.00
OPERATING INCOME					
Member Assessments-"Monthly"	\$ 636,037	\$ 636,208	\$ (171)	\$ 683,280	\$ 4,380
Late Charges	900	1,800	(900)	900	6
Miscellaneous	-	-	-	-	-
Interest	35	-	35	36	0
TOTAL OPERATING INCOME	\$ 636,972	\$ 638,008	\$ (1,036)	\$ 684,216	\$ 4,386
OPERATING EXPENSES					
Administrative & Insurance					
Annual Meeting Expense	\$ 1,170	\$ 1,170	\$ -	\$ -	\$ -
Audit or Review	2,500	2,400	(100)	2,600	17
Audit or Review (CHV I shared)	-	-	-	556	4
Bad Debts	-	1,800	1,800	1,500	10
Bank Service Charges	60	-	(60)	-	-
Copies & Postage	3,163	2,800	(363)	3,200	21
Insurance-Deductible	5,208	2,500	(2,708)	2,500	16
Insurance-Property & Liability	33,259	31,600	(1,659)	45,650	293
Insurance-Workers Comp	500	250	(250)	250	2
Legal Fees	4,997	2,400	(2,597)	2,400	15
Management Fees-Fixed Unit Rate	35,400	35,364	(36)	35,924	230
Management Fees-Site Manager	13,889	34,320	20,431	10,000	64
Miscellaneous Admin - General	1,900	2,100	200	2,100	13
Rent-Office Space	316	300	(16)	300	2
Social Activities	-	-	-	-	-
Telephone-Office Space	-	-	-	300	2
Telephone Service for Fire Alarms	14,520	14,016	(504)	14,700	94
Total Administrative & Insurance	\$ 116,882	\$ 131,020	\$ 14,138	\$ 121,980	\$ 782
Buildings & Infrastructure					
Alarm Monitoring	\$ 6,261	\$ 6,264	\$ 3	\$ 6,264	\$ 40
Alarm Testing & Repairs	2,620	4,000	1,380	3,000	19
Building Repairs	23,033	21,000	(2,033)	18,000	115
Dryer Vent Cleaning	6,240	-	(6,240)	-	-
Electrical Repairs	616	2,400	1,784	1,200	8
Exterminator	891	600	(291)	900	6
Fire Sprinklers	19,225	7,200	(12,025)	6,000	38
Gutters & Roofs	9,229	3,000	(6,229)	6,000	38
Plumbing Repairs	8,649	3,000	(5,649)	3,000	19
Total Building & Infrastructure	\$ 76,764	\$ 47,464	\$ (29,300)	\$ 44,364	\$ 284
Grounds					
Entrance Landscaping	\$ -	\$ -	\$ -	\$ 250	\$ 2
Holiday Decorations	1,437	500	(937)	667	4
Landscape Improvements	1,112	4,680	3,568	3,000	19
Lawn Edging (CHV Common Areas)	-	-	-	1,219	8
Lawn Fertilization	1,500	1,200	(300)	1,500	10
Lawn Fertilization (CHV Common Areas)	2,850	3,418	568	2,625	17
Lawn Service (includes Shrub Trimming)	17,633	13,490	(4,143)	17,633	113
Lawn Service (CHV Common Areas)	13,612	11,748	(1,864)	10,878	70
Mulch & Flowers	84	13,950	13,866	7,800	50
Mulch & Flowers (CHV Common Areas)	-	-	-	3,650	23
Other Grounds	942	3,000	2,058	2,000	13
Pond Maintenance	1,774	1,500	(274)	1,667	11
Snow Removal & Ice Melt Products	38,728	37,050	(1,678)	45,000	288
Snow Removal (CHV Common Areas)	4,834	7,000	2,166	9,023	58
Sprinkler Maintenance	10,266	7,800	(2,466)	7,500	48
Sprinkler Maintenance (CHV Common Areas)	-	-	-	1,667	11
Tree & Shrub Disease & Insect Control	-	3,600	3,600	3,833	25
Tree Trimming & Removal	3,650	7,150	3,500	3,666	24
Weeding & Bed Edging	5,219	6,200	981	4,200	27
Weeding & Bed Edging (CHV Common Areas)	-	-	-	1,050	7
Total Grounds	\$ 103,641	\$ 122,286	\$ 18,645	\$ 128,828	\$ 826
Utilities					
Electricity	12,869	16,000	3,131	13,920	89
Water & Sewer	85,926	105,560	19,634	102,960	660
Total Utilities	\$ 98,795	\$ 121,560	\$ 22,765	\$ 116,880	\$ 749
TOTAL OPERATING EXPENSES	\$ 396,082	\$ 422,330	\$ 26,248	\$ 412,052	\$ 2,641
Net Results from Operations	\$ 240,890	\$ 215,678	\$ 25,212	\$ 272,164	\$ 1,745
Transfer to Reserves	205,000	205,000	-	270,000	1,731
Net Results after Transfers to Reserves	\$ 36,140	\$ 10,678	\$ 25,212	\$ 2,164	\$ 14

CHERRY HILL VILLAGE HOMEOWNERS ASSOCIATION
dba Cherry Hill Village II
2014 Forecast & 2015 Budget

	2014 Forecast	2014 Budget	2014 Variance Forecast	2015 Budget	2015 Budget Per Unit
RESERVES					
Reserves Equity, Beginning of Period	\$ (419,103)	\$ (419,103)	\$ -	\$ (1,108,645)	\$ (7,107)
RESERVES INCOME					
Transfers from Operations	\$ 205,000	\$ 205,000	\$ -	\$ 270,000	\$ 1,731
Interest Income	12	-	12	-	-
TOTAL RESERVES INCOME	\$ 205,012	\$ 205,000	\$ 12	\$ 270,000	\$ 1,731
RESERVES EXPENDITURES					
Asphalt Repairs	\$ -	\$ 5,400	\$ 5,400	\$ 10,000	\$ 64
Asphalt Crackfill & Sealcoating	5,200	-	(5,200)	1,667	11
Catch Basin & Pond Drain Repairs	6,500	-	(6,500)	-	-
Concrete Replacements	44,607	7,700	(36,907)	2,000	13
Concrete-Shared Expense	-	-	-	2,000	13
Loan Interest Only (through 8/14)	21,042	20,167	(875)	-	-
Loan Principal & Interest - Mutual of Omaha	50,780	51,600	820	152,340	977
Loan Principal - CHV I	-	-	-	50,000	321
Landscaping	5,855	23,500	17,645	6,667	43
Masonry	16,350	30,000	13,650	-	-
Miscellaneous	-	-	-	-	-
Painting	208,355	160,690	(47,665)	-	-
Patio/Balcony Repairs (Patios Above Garages)	12,245	30,000	17,755	36,000	231
Ponds - Cleaning & Repairs	-	-	-	-	-
Privacy Fences	4,346	-	(4,346)	-	-
Railings	39,641	24,000	(15,641)	-	-
Reserve Study Update	4,000	4,000	-	-	-
Roofs	-	-	-	-	-
Signage	853	-	(853)	1,000	6
Shutters	11,629	-	(11,629)	-	-
Wood & Siding Replacements & Doors, Etc.	547,198	236,000	(311,198)	-	-
TOTAL RESERVES EXPENDITURES	\$ 978,601	\$ 593,057	\$ (385,544)	\$ 261,674	\$ 1,677
NET RESERVES INCOME	\$ (773,589)	\$ (388,057)	\$ (385,532)	\$ 8,326	\$ 53
Amount of Loan Principal Reduction	\$ 33,691	\$ 32,886	\$ 805	\$ 151,808	\$ 973
Reserves Equity, End of Year	\$ (1,159,001)	\$ (774,274)	\$ (384,727)	\$ (948,511)	\$ (6,080)
Mutual of Omaha Loan					
Loan Balance - Beginning of Period	\$ 481,228			\$ 966,309	
Loan Draws from 01/01/14 to 08/31/14	\$ 518,772			\$ -	
Loan Balance	\$ 1,000,000			\$ 966,309	
Principal Reduction	\$ 33,691			\$ 101,808	
Loan Balance - End of Period	\$ 966,309			\$ 864,501	
CHV I Loan					
Loan Balance - Beginning of Period	\$ -			\$ 140,100	
Loan Draws from 01/01/14 to 09/30/14	\$ 140,100			\$ -	
Loan Balance	\$ 140,100			\$ 140,100	
Principal Reduction	\$ -			\$ 50,000	
Loan Balance - End of Period	\$ 140,100			\$ 90,100	