

RESOLUTION F-02

ANNUAL BUDGET DEVELOPMENT AND MONITORING

1. **Purpose.** This Resolution provides policy and procedures for the development of the Association budget and subsequent monitoring of financial results against the budget.
2. **Authority.** Section 5.14 of the By-laws of the Ocean Pines Association, Inc. requires the Board of Directors to approve a budget prior to the beginning of the fiscal year. Section 9.04 assigns responsibilities to the General Manager for the development of the Budget and the Budget and Finance Advisory Committee for reviewing the budget.
3. **Definitions.**
 - a. **Budget.** A financial plan approved by the Board of Directors that reflects the planned revenues and expenditures for the Association's fiscal year. The budget shall consist of an operating budget and a capital expenditure plan.
 - b. **Fiscal Year.** The fiscal year for the Association is from May 1 to April 30.
 - c. **Budget Variations.** Budget variations are differences between the actual and budgeted amounts of revenues and expenditures. Given that budgets are estimates, variances are expected to be both positive (favorable to the budget) and negative (unfavorable to budget) and to result from a number of factors.
4. **Budgeting Principles.**
 - a. **Basis.** The budget shall be based on Generally Accepted Accounting Principles (GAAP) and shall identify all revenue by the source generating the revenue and expenditures by department and function.
 - b. **Goals.** The budget should reflect the goals established by the Board or by the General Manager with approval of the Board.
 - c. **Multi-Year Financial Plan.** In addition to the annual budget, additional financial plans may be established covering more than one fiscal year in order to plan for capital expenditures and other anticipated expenses.
 - d. **Performance Measurement.** The preparation of a sound financial budget and attainment of budgeted results shall be a key element in the measurement of performance by Association management personnel.
 - e. **Reporting.** Reporting of financial results compared to the budget shall be provided by the General Manager with a revised estimate of each revenue or expense item for the fiscal year, or other period. Variances are to be disclosed for each line item with explanations for all significant budget variations.
 - f. **Limits of Authority.** Any projected significant year-end variation in individual departmental revenues or expenditures of 5% or greater should be brought to the attention of the Board by the General Manager, with specific recommendations for actions to be taken to eliminate or reduce any negative variances, or an explanation as to why such actions are infeasible.

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5. Responsibilities and Tasks.

a. The General Manager:

- (1) prepares and presents a proposed budget to the Board of Directors for review, modification, and approval;
- (2) is responsible for the execution and administration of the approved budget; and
- (3) provides reports and recommendations for modifications from budgeted amounts each month and quarter.

b. The Board of Directors:

- (1) provides budget guidance and goals to the General Manager as the first step in the annual budget development process;
- (2) reviews, modifies if deemed appropriate, and approves proposed budget;
- (3) monitors financial results against budget performance throughout the fiscal year; and
- (4) responds to recommendations of the General Manager and Budget & Finance Advisory Committee as to proposed changes to budgeted amounts and recommendations resulting from budget variations.

c. The Budget & Finance Advisory Committee:

- (1) performs tasks as assigned in Resolution C-03;
- (2) assists the Board of Directors in preparing budget guidance and goals;
- (3) assists the Board of Directors in reviewing the proposed annual budget; and
- (4) reviews financial results against the budget throughout the fiscal year.

6. Budget Development Timetable.

- a. **September of each year:** The Board of Directors meets with the Budget & Finance Advisory Committee and the General Manager to discuss overall budget guidance and goals.
- b. **September through December:** The General Manager prepares the proposed budget.
- c. **Early January:** The General Manager provides the Board of Directors and the Budget and Finance Advisory Committee a summary of major budget items in the proposed budget to alert them of any major budgetary issues of concern.
- d. **During January and February:** The General Manager submits the proposed annual budget to the Board of Directors not less than ninety (90) days prior to the beginning the fiscal year. The proposed budget is reviewed by the Budget and Finance Advisory Committee and the Board of Directors holds a public hearing prior to final approval of the budget by the Board.
- e. **By February 28:** The Board of Directors approves budget.

7. Reporting.

a. **Monthly.** The General Manager shall provide the Board of Directors a monthly written comprehensive financial report which includes monthly and year-to-date performance compared to the budget. The report shall include a summary report; a report for each department; and include capital and reserve accounts. In the General Manager's report to the Board during regular Board meetings, significant variances of 5% within any department for both operations and capital expenditures should be reported. The General Manager should also provide specific recommendations for actions to be taken to eliminate or reduce negative variances, or an explanation of why action is infeasible.

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b. **Quarterly.** The General Manager shall provide a quarterly written and visual report to the Board at a regular Board meeting. These reports should focus on financial performance against budget year-to-date with forecasts for the entire fiscal year. This report shall be accompanied by specific recommendations from the General Manager with reference to all significant current or anticipated variances from the budget.

c. **Annually.** A full and complete statement of the affairs of the Association shall be prepared by a firm of auditors designated by the Board of Directors. The statement shall be submitted to the Board as close to the end of the fiscal year as practical, but at least two weeks prior to the annual meeting of the members which is held on the second Saturday of August each year.

6. Effective Date: November 19, 2008

Adopted by the Board of Directors on November 19, 2008

/S/ David M. Stevens President Attest /S/ Les Purcell Secretary

Review History.

General Manager /S/ Thomas J. Olson Date: December 4, 2008

Legal _____ Date: _____

By-laws and Resolutions Advisory Committee /S/ James Trummel

Date: December 5, 2008