

Memorandum

To: MPOA-Board of Directors/Delegates
From: Treasurer Tom Cooper/Budget Committee
Date: xx/xx/2023
Re: Proposed 2024 Budget

Executive Summary

Attached please find the proposed 2024 Budget material for your review. It includes the following information. First this cover memo with budget highlights. Next is the budget information with the totals for revenue and expense items so an overall picture can be viewed. Following that are notes that will explain primarily the difference between what happened (or what is expected to happen) in 2023 compared to what is being proposed for the 2024 budget. Following that is the line item detail for further information if necessary. Below is a brief summary of some financial activity that was the basis for putting together the budget as you see it.

Budget Methodology

The budget for 2024 along with the other financial presentations are presented on a cash basis method of accounting. MPOA has always operated on a very thin margin when it comes to the balance in its bank account. Like most organizations that rely on dues income, the monies (cash) comes in at the beginning of the fiscal year and then is drawn down as the year goes on. The MPOA has always run on a very tight budget and this year is no exception. Because it is a cash basis budget, it does not include depreciation or a capital budget or other accrual type transactions as part of the Operational Budget, but depreciation expense and other activity that is not a part of the operations of MPOA are shown at the bottom for disclosure purposes. The purpose is to provide the most basic information on revenues (cash) coming in and expenses being paid. The budget process was prepared on a modified zero-based method. Certain items are based on historical activity and others on proposed or anticipated items to be incurred next year. These are the best estimates available at the time of this presentation.

Major Considerations

The past few years we have been challenged with expenses related to the dam, dredging, and building decisions. The building and dredging issues (except for disposal) are mostly behind us for now, but the dam is and will continue to be an item that we must be prepared for at all times. A reserve for the dam expenses continues to be an area of concern and that can not happen until we find a way to create more revenue than expenses on an annual basis or find a way to gather contributions specifically designated for Dam related expenses. Since dues are our primary source of revenue, that is where we are most likely to find an excess to build the reserves. Another option that the Budget Committee has proposed is for each subdivision to include on their dues invoices an option to send a voluntary contribution to a Dam fund just as some have done in the past for the fireworks. This is still being discussed. The alternative is to continue to increase dues to cover ongoing expenses. This is a tough choice but it is necessary to know the options we have. **No dues increase** is proposed in the 2024 Budget. Your support will be needed in order to move forward and find the proper way to fund the expenses needed to keep the Dam in repair and proper working order.

Actual 2023 (Unaudited)

It is projected that we will end the year with projected Operating revenue of \$277,683 and Operating expenses of \$275,191 for a surplus of \$2,691 for 2023. This surplus is minimal and will enable us to replenish a small portion of the operating funds that were used to cover the dam repairs accomplished in 2022. In the future, budget surpluses could be used to establish a Fund for Capital Improvements or Emergency Dam Needs. The Budget Committee is recommending designating a percentage of any annual surplus to be put in that fund. How the funds are used would need to be clearly stated. It could include, unanticipated emergency repairs, emergency lake safety issues, or even emergency removal of debris from the water due to high water conditions. This would be an action for the Board to consider when the actual results of the year are finalized. The following are explanations of some of the significant variances from the 2023 approved budget.

Dues – Projected to hit budget due to the increase.

Vehicle Passes – Higher due to the increase in prices.

Dam – Higher than budget due to the need for a Concrete Cap and some other mechanical repairs.

Payroll – Slightly lower than budget due to only having two part timers vs three that were budgeted.

Insurance – Higher than budget due to a review of the coverage and the need to adjust accordingly.

Proposed Budget 2024

The 2024 budget is a balanced budget per the bylaws and primarily based on what has historically happened but there are new items that will be explained in the notes attached to the budget. The following are the significant changes that we would like to highlight for 2024.

Dues – No increase proposed.

Vehicle Passes – During 2024 the Budget Committee will continue to analyze this revenue source for potential use in adding to the fund as noted above.

Insurance reimbursement – Higher premium thus higher reimbursements.

Payroll – Staff has gone without any increases for a couple of years now so the 2024 budget includes a cost of living increase. It is proposed that along with a COL increase for next year some type of merit increase become available based on established criteria and objectives. No formal plan is yet in place but will be developed. For 2024 we will maintain a level of two part time employees and the possible need for them to spend additional time during the annual distribution of recreational stickers..

Office & Building Expenses – Lower due to most of the costs for maintenance to be incurred in 2023.

Professional Services – Slightly higher due to anticipated additional legal services.

Insurance – An insurance review has resulted in the need to increase coverage thus a higher premium.

2024 and Beyond

It is hoped that the revenue from dues and other revenue sources will grow so that the organization will be able to cover basic expenses and build a reserve for the dam and any other major projects that are necessary.

Summary

Thanks to the efforts of the Budget Committee and Staff. We propose a conservative but strong financial picture is in place and your approval of the 2024 Budget is requested. If you have any questions, please feel free to ask.

MPOA Proposed Summary Budget for 2024 with historical Information

	<u>Jan - Dec 22</u>	<u>2023 Budget</u>	<u>Jan - May 2023</u>	<u>June-Dec 2023</u>	<u>Jan - Dec 23</u>	<u>2024 Budget</u>	
	Actual		Actual	PROJECTED	PROJECTED	PROPOSED	
Ordinary Operating Income and Expenses							
Income							
Dues	151,967.00	182,400.00	184,684.00	-	184,684.00	182,400.00	Note 1
Vehicle Passes	40,250.00	38,300.00	49,322.00	4,300.00	53,622.00	53,600.00	Note 2
Insurance Reimbursements	29,560.00	30,000.00	31,104.00	-	31,104.00	37,000.00	Note 3
Miscellaneous Income	77,214.45	1,650.00	7,122.54	1,350.00	8,472.54	8,500.00	Note 4
Total Income	298,991.45	252,350.00	272,232.54	5,650.00	277,882.54	281,500.00	
Expense							
Lake Use & Safety	13,243.51	12,800.00	2,129.93	10,200.00	12,329.93	16,400.00	Note 5
Lake Renewal	31,131.47	36,140.00	5,670.00	30,100.00	35,770.00	36,100.00	Note 6
Dam	31,460.25	41,300.00	503.34	49,200.00	49,703.34	37,000.00	Note 7
Payroll	78,733.94	85,800.00	32,079.51	49,950.00	82,029.51	86,850.00	Note 8
Office & Building Expense	10,375.62	22,190.00	4,237.61	11,132.00	15,369.61	16,325.00	Note 9
Professional Services	10,877.37	8,000.00	4,298.59	7,000.00	11,298.59	14,500.00	Note 10
Travel and Entertainment	591.21	650.00	538.89	250.00	788.89	1,000.00	Note 11
Insurance	56,085.00	50,000.00	27,174.12	34,000.00	61,174.12	66,100.00	Note 12
Taxes, Licenses, and Fees	133.75	6,500.00	-	6,727.46	6,727.46	7,060.00	Note 13
Total Operating Expenses	232,632.12	263,380.00	76,631.99	198,559.46	275,191.45	281,335.00	
Income in excess of or less than Expenses	66,359.33	(11,030.00)	195,600.55	(192,909.46)	2,691.09	165.00	
Other Income/Expense							
Other Income	30,776.98	-	1,978.86	-	-	30,552.00	Note 14
Other Expenses	26,998.04	1,545.00	2,092.65	25,900.00	27,992.65	27,500.00	Note 15
Depreciation Expense	608,853.00	551,850.00	228,061.25	230,000.00	458,061.25	500,000.00	Note 16
Total Other Income	(605,074.06)	(553,395.00)	(228,175.04)	(255,900.00)	(486,053.90)	(496,948.00)	
Total Income (Loss)	(538,714.73)	(564,425.00)	(32,574.49)	(448,809.46)	(483,362.81)	(496,783.00)	

MPOA
Notes to the 2024 Budget

Budget 2024 Notes

- Note 1: Dues – Includes the monies collected from the subdivisions at the rate of \$32 per lot. The budget for 2024 should be consistent with 2023.
- Note 2: Vehicle Passes – This represents decal sales and Guest Passes based on the increased rates for 2023 with expectations of the same level of activity in 2024.
- Note 3: Insurance Reimbursements – The overall insurance expense as noted later will increase quite a bit in 2024 which will result in the increase in the subdivisions reimbursement to MPOA based on their coverage.
- Note 4: Miscellaneous Income – This includes the McHenry County contribution towards the cost of the Thompson Road Monitoring Station maintained by USGS and the fees recovered from Meadows of West Bay Property Owners for completion of the dredging of the channel and installation of a boat ramp by the MPOA.
- Note 5: Lake Use and Safety – The 2024 budget is higher due to the anticipated purchase of new bouys.
- Note 6: Lake Renewal – This category includes the rent being paid for the storage of the material that was dredged from the lake. By the end of year 2024 it is planned for a final proposal to be made on what to do moving forward with the material in order to eliminate this cost in the future budgets. Also included is the annual cost of the Thompson Road Monitoring Station maintained by USGS.
- Note 7: Dam – This area includes costs for the continued maintenance and repairs of the dam. Due to the age of the Dam it is important to keep the inspections and repairs up to date. The budget for 2024 allows for whatever unknown issues may come up. There are discussions and perhaps in the future a Reserve for the Dam will be established that will cover this cost and the monies will not have to come out of operating expenses and will help from having to raise dues.
- Note 8: Payroll – The actual costs for 2023 are expected to be lower than budget due to having only two part time employees instead of the anticipated three part time employees. The expectations are to continue with the two part time employees and also provide a cost of living increase for 2024. It also includes a provision for additional time spent during the busy season.
- Note 9: Office & Building Expenses – Included are supplies, telephone and communications costs along with utilities, some printing and postage costs, and an allowance in 2024 for maintenance items that may be unanticipated. Additional costs in 2023 are needed in order to cover some needed building maintenance.
- Note 10: Professional Services – The Budget for 2024 assumes slightly higher legal fees and the same level usage for accounting and consulting costs as 2023.
- Note 11: Travel and Entertainment – Minimal funds set aside for travel costs.

MPOA
Notes to the 2024 Budget

- Note 12: Insurance – A review of our insurance coverage was done and in order to insure that we are adequately covered for liability and other coverages, we have been advised that an increase is going to be incurred for 2024. Note the increase in the insurance reimbursement to offset some of this cost.
- Note 13: Taxes, Licenses & Fees – This represents primarily the Real Estate Taxes that will be assessed on the office space. It is anticipated that we will not be able to abate this and it will continue to be an annual cost..
- Note 14: Other Income – This amount represents the monies collected to pay for the fireworks expenses and are not considered part of the operating revenue.
- Note 15: Other Expenses – This is primarily the monies paid out for the fireworks from the monies collected under Other Income. Also includes the interest costs on the Building Loan Payments.
- Note 16: Depreciation Expense – The represents annual accounting and book entries to amortize the cost of the dredging, the building, and other fixed assets over their estimated useful life per IRS standards. Because the 2024 and other budgets are presented on a cash basis, this number is shown below the line so as not to distort the budget numbers.

We solicit any questions you may have regarding these items.

MPOA Proposed Line Item Budget for 2024 with historical Information

	<u>Jan - Dec 22</u>	<u>2023 Budget</u>	<u>Jan - May 2023</u>	<u>June-Dec 2023</u>	<u>Jan - Dec 23</u>	<u>2024 Budget</u>
	<u>Actual</u>		<u>Actual</u>	<u>PROJECTED</u>	<u>PROJECTED</u>	<u>PROPOSED</u>
Ordinary Operating Income and Expenses						
Income						
400 · Annual Dues	151,967.00	182,400.00	184,684.00	-	184,684.00	182,400.00
Total 400 · Dues						
410 · Vehicle Passes						
411 · Decals	39,350.00	38,000.00	48,922.00	4,100.00	53,022.00	53,000.00
412 · Guest Passes	900.00	300.00	400.00	200.00	600.00	600.00
Total 410 · Vehicle Passes	<u>40,250.00</u>	<u>38,300.00</u>	<u>49,322.00</u>	<u>4,300.00</u>	<u>53,622.00</u>	<u>53,600.00</u>
420 · Insurance Reimbursements						
421 · Liability Reimbursement	29,560.00	30,000.00	31,104.00	-	31,104.00	37,000.00
Total 420 · Insurance Reimbursements	<u>29,560.00</u>	<u>30,000.00</u>	<u>31,104.00</u>	<u>-</u>	<u>31,104.00</u>	<u>37,000.00</u>
490 · Miscellaneous Income						
492 · Administrative Fee	312.00	1,000.00	348.00	50.00	398.00	350.00
496 · Liens	150.00	-	-	-	-	-
882 - Collection/Liens	-	150.00	54.50	100.00	154.50	50.00
450 · Reimbursed Expenses	7,504.45	-	6,620.04	1,000.00	7,620.04	8,000.00
498 · Grant Funds	69,148.00	-	-	-	-	-
494 · Property Transfer/Lien Releases	100.00	500.00	100.00	200.00	300.00	100.00
Total 490 · Miscellaneous Income	<u>77,214.45</u>	<u>1,650.00</u>	<u>7,122.54</u>	<u>1,350.00</u>	<u>8,472.54</u>	<u>8,500.00</u>
Total Income	<u>298,991.45</u>	<u>252,350.00</u>	<u>272,232.54</u>	<u>5,650.00</u>	<u>277,882.54</u>	<u>281,500.00</u>
Expense						
600 · Lake Use & Safety						
611 · Safety Patrol	8,000.00	8,000.00	-	9,000.00	9,000.00	9,000.00
612 · Decal Expense	741.95	800.00	2,129.93	-	2,129.93	1,200.00
631 · Water Quality	-	2,000.00	-	-	-	-
615 · Fish Stocking	-	1,200.00	-	1,200.00	1,200.00	1,200.00
618 · Buoys	4,501.56	800.00	-	-	-	5,000.00
Total 600 · Lake Use & Safety	<u>13,243.51</u>	<u>12,800.00</u>	<u>2,129.93</u>	<u>10,200.00</u>	<u>12,329.93</u>	<u>16,400.00</u>
630 · Lake Renewal						
649 · Rent Expense - Cells	21,401.47	21,000.00	-	21,000.00	21,000.00	22,000.00
642 · Engineering	-	4,000.00	-	3,000.00	3,000.00	-
643 · Permits	-	-	100.00	100.00	200.00	100.00
646 · Lake Renewal	-	11,140.00	-	-	-	-
647 · SSA Expenses	1,750.00	-	-	6,000.00	6,000.00	2,000.00
630 · Lake Renewal - Other	7,980.00	-	5,570.00	-	5,570.00	12,000.00
Total 630 · Lake Renewal	<u>31,131.47</u>	<u>36,140.00</u>	<u>5,670.00</u>	<u>30,100.00</u>	<u>35,770.00</u>	<u>36,100.00</u>
650 · Dam						
651 · Maintenance	18,745.40	4,000.00	-	33,000.00	33,000.00	20,000.00
652 · Repairs	11,550.61	36,000.00	-	15,000.00	15,000.00	15,000.00
655 · Utilities	1,164.24	1,300.00	503.34	1,200.00	1,703.34	2,000.00
Total 650 · Dam	<u>31,460.25</u>	<u>41,300.00</u>	<u>503.34</u>	<u>49,200.00</u>	<u>49,703.34</u>	<u>37,000.00</u>
700 · Payroll						
701 · Payroll Expenses	72,448.38	80,000.00	29,051.26	45,000.00	74,051.26	78,000.00
705 · Payroll Tax	6,043.32	5,000.00	2,502.75	4,500.00	7,002.75	7,800.00
707 · Workers Comp Insurance	103.99	600.00	480.00	300.00	780.00	850.00
706 · PAYROLL SERVICE FEE	138.25	200.00	45.50	150.00	195.50	200.00
Total 700 · Payroll	<u>78,733.94</u>	<u>85,800.00</u>	<u>32,079.51</u>	<u>49,950.00</u>	<u>82,029.51</u>	<u>86,850.00</u>

	<u>Jan - Dec 22</u>	<u>2023 Budget</u>	<u>Jan - May 2023</u>	<u>June-Dec 2023</u>	<u>Jan - Dec 23</u>	<u>2024 Budget</u>
	<u>Actual</u>		<u>Actual</u>	<u>PROJECTED</u>	<u>PROJECTED</u>	<u>PROPOSED</u>
710 · Office & Building Expense						
751 · Office Supplies	350.31	1,500.00	482.85	300.00	782.85	750.00
735 · Internet	1,556.54	2,000.00	707.77	900.00	1,607.77	2,200.00
811 · Membership Fees	404.00	220.00	150.00	-	150.00	425.00
737 · Website	270.00	140.00	-	300.00	300.00	300.00
712 · Utilities	3,692.55	4,500.00	2,059.15	2,500.00	4,559.15	4,000.00
834 · Advertising	140.00		118.50	50.00	168.50	150.00
831 · Postage	1,200.78	1,000.00	17.18	1,100.00	1,117.18	1,500.00
832 · Printing	449.85	500.00	621.53	200.00	821.53	900.00
861 · Bank Charges	124.63	80.00	(32.00)	32.00	-	100.00
713 · Maintenance	1,024.18	12,000.00	-	5,000.00	5,000.00	5,000.00
710 · Office Expense - Other	1,162.78	250.00	112.63	750.00	862.63	1,000.00
Total 710 · Office & Building Expense	10,375.62	22,190.00	4,237.61	11,132.00	15,369.61	16,325.00
740 · Professional Services						
741 · Legal	6,650.97	6,000.00	2,264.17	5,000.00	7,264.17	10,000.00
742 · Accounting	2,987.40	1,000.00	1,501.92	1,500.00	3,001.92	3,500.00
745 · Consulting	1,089.37	1,000.00	532.50	500.00	1,032.50	1,000.00
740 · Professional Services - Other	149.63		-	-	-	
Total 740 · Professional Services	10,877.37	8,000.00	4,298.59	7,000.00	11,298.59	14,500.00
Total 780 · Travel & Entertainment						
781 · Travel & Lodging	-	-	390.42	-	390.42	-
851 · Conferences	-	-	148.47	-	148.47	500.00
785 · Meetings	120.00	150.00	-	-	-	
780 · Travel & Entertainment - Other	471.21	500.00	-	250.00	250.00	500.00
Total 780 · Travel & Entertainment	591.21	650.00	538.89	250.00	788.89	1,000.00
790 · Insurance						
795 · Property Insurance	55,005.00	50,000.00	27,174.12	33,000.00	60,174.12	65,000.00
790 · Insurance - Other	1,080.00		-	1,000.00	1,000.00	1,100.00
Total 790 · Insurance	56,085.00	50,000.00	27,174.12	34,000.00	61,174.12	66,100.00
840 · Taxes, Licenses & Fees						
843 · Business Licenses & Fees	-		-	10.00	10.00	10.00
842 · Real Estate Taxes	123.75	6,500.00	-	6,717.46	6,717.46	7,050.00
840 · Taxes, Licenses & Fees - Other	10.00		-	-	-	
Total 840 · Taxes, Licenses & Fees	133.75	6,500.00	-	6,727.46	6,727.46	7,060.00
Total Expense	232,632.12	263,380.00	76,631.99	198,559.46	275,191.45	281,335.00
Income in excess of or less than Expenses	66,359.33	(11,030.00)	195,600.55	(192,909.46)	2,691.09	165.00
Other Income/Expense						
Other Income						
460 · Fireworks Fundraising Income	30,216.13		1,775.58	32,500.00	34,275.58	30,000.00
901 · Interest Earned	1.83		0.54	0.50	1.04	2.00
909 · Other Income	559.22	-	202.74	300.00	502.74	550.00
Total Other Income	30,776.98	-	1,978.86	300.00	502.74	30,552.00
Other Expense						
560 · Fireworks Expenses	25,493.83		1,450.00	25,000.00	26,450.00	26,000.00
951 · Interest Expense	1,504.21	1,545.00	642.65	900.00	1,542.65	1,500.00
Total Other Expense	26,998.04	1,545.00	2,092.65	25,900.00	27,992.65	27,500.00
Excess of other income over other expenses	3,778.94	(1,545.00)	(113.79)	(25,900.00)	(27,992.65)	3,052.00
Income (Loss) before Depreciation Entry	70,138.27	(12,575.00)	195,486.76	(218,809.46)	(25,301.56)	3,217.00
Non Cash Accounting Transactions						
679 · Depreciation Expense	608,853.00	551,850.00	228,061.25	230,000.00	458,061.25	500,000.00
Total Income Loss Including Depreciation	(538,714.73)	(564,425.00)	(32,574.49)	(448,809.46)	(483,362.81)	(496,783.00)