

Memorandum

To: MPOA-Board of Directors/Delegates
From: Treasurer Tom Cooper/Budget Committee
Date: 07/15/2024
Re: Proposed 2025 Budget

Executive Summary

Attached please find the proposed 2025 Budget material for your review. It includes the following information. First this cover memo with budget highlights. Next is the budget summary information with the totals for revenue and expense items by category 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 2024 compared to what is being proposed for the 2025 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.

A separate proposal was presented to the Board for a Lake Preservation Fund which was a matter of discussion last year. That fund has no impact on this budget which is for the basic operations covered by dues.

Budget Methodology

The budget for 2025 along with the other financial presentations are presented on a cash basis method of accounting. The 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 money (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. This is a popular method where expenses are presumed to be zero and must be justified with only limited recurring expenses exempted from the process based on historical activity. 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. Since dues are our primary source of revenue, that is where we must make adjustments in order to cover basic operating expenses. Due to the increases in Dam Maintenance, Lake Renewal, and Insurance costs, among others, a dues increase is necessary. It is also likely that the dues will continue to be increased annually on an incremental basis. 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 2024 (Unaudited)

It is projected that we will end the year with projected Operating revenue of \$280,805 and Operating expenses of \$332,140 resulting in a deficit of \$51,335 for 2024. This deficit is predominantly the result of costs related to Lake Renewal Testing which was not anticipated in the original budget for 2024. Fortunately there was an unanticipated large expense reimbursement in 2023 of \$53,000 that helped offset the 2024 expenses but this was a one time item. Legal fees and insurance costs are also expected to exceed budget and add to the increase in anticipated expenses in 2024. The following are explanations of some of the significant variances from the 2024 approved budget.

Dues – Projected to be higher due to collection of past dues over and above the current year's billing.

Lake Renewal – Major Sampling and Testing costs were incurred in 2024 that were not originally anticipated or budgeted for.

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

Proposed Budget 2025

The 2025 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 are being proposed for the 2025 budget.

Dues – An increase of \$8.00 per lot is proposed in order to cover the operational needs of the MPOA.

Vehicle Passes – Anticipated higher sales in 2025.

Insurance reimbursement – Based on reimbursed needs of the subdivisions.

Payroll – Based on staffing needs with a slight cost of living adjustment. For 2025 we will maintain a level of staffing as needed to cover the MPOA. It includes 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.

2025 and Beyond

It is anticipated that operating expenses will continue to increase incrementally, necessitating adjustments to dues in order to comply with the bylaws which require a balanced budget. To counter these expectations the various committees will diligently seek out and capitalize on money-saving opportunities.

Summary

Thanks to the efforts of the Budget Committee and Staff. We present the 2025 Proposed Budget and seek your approval. If you have any questions, please feel free to ask.

2025 Summary Budget

MPOA Proposed Summary Budget for 2025 with historical Information

	<u>Jan - Dec 22</u>	<u>Jan - Dec 23</u>	<u>2024 Budget</u>	<u>Jan - Dec 24</u>	<u>2025 Budget</u>	
	Actual	Actual		PROJECTED	PROPOSED	
Ordinary Operating Income and Expenses						
Income						
Dues	151,967.00	184,756.00	182,400.00	191,074.00	226,920.00	Note 1
Vehicle Passes	40,250.00	63,608.00	53,600.00	53,600.00	57,400.00	Note 2
Insurance Reimbursements	29,560.00	31,993.00	37,000.00	35,723.00	37,500.00	Note 3
Miscellaneous Income	77,214.45	53,693.50	8,500.00	408.00	5,500.00	Note 4
Total Income	298,991.45	334,050.50	281,500.00	280,805.00	327,320.00	
Expense						
Lake Use & Safety	13,243.51	14,379.93	16,400.00	16,574.45	16,600.00	Note 5
Lake Renewal	31,131.47	67,739.85	36,100.00	78,742.95	54,100.00	Note 6
Dam	31,460.25	18,901.90	37,000.00	36,640.00	47,000.00	Note 7
Payroll	78,733.94	72,928.57	86,850.00	86,913.89	89,200.00	Note 8
Office & Building Expense	10,375.62	11,158.84	16,325.00	16,318.91	16,825.00	Note 9
Professional Services	10,877.37	15,158.19	14,500.00	19,542.07	20,000.00	Note 10
Travel and Entertainment	591.21	538.89	1,000.00	1,137.43	1,150.00	Note 11
Insurance	56,085.00	59,351.47	66,100.00	69,210.27	75,000.00	Note 12
Taxes, Licenses, and Fees	133.75	6,727.46	7,060.00	7,060.00	7,270.00	Note 13
Total Operating Expenses	232,632.12	266,885.10	281,335.00	332,139.97	327,145.00	
Income in excess of or less than Expenses	66,359.33	67,165.40	165.00	(51,334.97)	175.00	
Other Income/Expense						
Other Income	30,776.98	30,634.42	30,552.00		32,050.00	Note 14
Other Expenses	26,998.04	30,630.98	27,500.00	31,500.00	31,500.00	Note 15
Depreciation Expense	608,853.00	551,850.00	500,000.00	501,409.92	500,000.00	Note 16
Total Other Income	(605,074.06)	(551,846.56)	(496,948.00)	(532,909.92)	(499,450.00)	
Total Income (Loss)	(538,714.73)	(484,681.16)	(496,783.00)	(584,244.89)	(499,275.00)	

MPOA
Notes to the 2025 Budget

2025 Budget Notes

Note 1: Dues – Includes the monies collected from the subdivisions with a proposed dues increase of \$8 per lot across 5,368 lots. The budget for 2025 has been increased due to an increase of approx \$40,000.00 to cover the operating expenses in 2025.

Note 2: Vehicle Passes – This represents decal sales and Guest Passes which is based on the increased rates in 2023 with expectations of a higher level of activity in 2025.

Note 3: Insurance Reimbursements – The overall insurance expense as noted later will increase quite a bit in 2025 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. A large repayment of \$53,000 was received in 2023.

Note 5: Lake Use and Safety – The 2025 budget is consistent with the 2024 activities.

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 2024 it is planned for a proposal to be made on what to do moving forward with the material.. Also included is the annual cost of the Thompson Road Monitoring Station maintained by USGS. Sampling and testing costs have caused this area to exceed budget in 2024. A small testing budget and engineering expense is anticipated in 2025.

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 2025 allows for some of the unknown issues that may come up. These expenses are the normal annual repair and maintenance costs and are covered through dues revenue. A separate proposal for a lake preservation fund has been presented that will not impact this operating budget.

Note 8: Payroll – The actual costs for 2024 are expected to be at budget with a slight increase in 2025 for cost of living. 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 for maintenance items that may be unanticipated.

Note 10: Professional Services – The Budget for 2025 assumes slightly higher legal fees and the same level usage for accounting and consulting costs as 2024.

Note 11: Travel and Entertainment – Minimal funds set aside for travel costs.

MPOA
Notes to the 2025 Budget

Note 12: Insurance – An increase is anticipated in 2025 as these costs have been recently reviewed and adjusted to meet current coverage needs. 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 – This 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 2025 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.

2025 Line Item Budget Detail

MPOA Proposed Line Item Budget for 2025 with historical Information

	<u>Jan - Dec 22</u>	<u>Jan - Dec 23</u>	<u>2024 Budget</u>	<u>Jan - Dec 24</u>	<u>2025 Budget</u>
	Actual	Actual		PROJECTED	PROPOSED
Ordinary Operating Income and Expenses					
Income					
400 · Annual Dues	151,967.00	184,756.00	182,400.00	191,074.00	226,920.00
Total 400 · Dues					
410 · Vehicle Passes					
411 · Decals	39,350.00	61,758.00	53,000.00	53,000.00	56,800.00
412 · Guest Passes	900.00	1,850.00	600.00	600.00	600.00
Total 410 · Vehicle Passes	<u>40,250.00</u>	<u>63,608.00</u>	<u>53,600.00</u>	<u>53,600.00</u>	<u>57,400.00</u>
420 · Insurance Reimbursements					
421 · Liability Reimbursement	29,560.00	31,993.00	37,000.00	35,723.00	37,500.00
Total 420 · Insurance Reimbursements	<u>29,560.00</u>	<u>31,993.00</u>	<u>37,000.00</u>	<u>35,723.00</u>	<u>37,500.00</u>
490 · Miscellaneous Income					
492 · Administrative Fee	312.00	348.00	350.00	308.00	350.00
496 · Liens	150.00		-		-
882 – Collection/Liens	-	(54.50)	50.00	-	50.00
450 · Reimbursed Expenses	7,504.45		8,000.00	-	5,000.00
490 · Miscellaneous Income	-	-	-	-	-
498 · Grant Funds	69,148.00	53,000.00			
494 · Property Transfer/Lien Releases	100.00	400.00	100.00	100.00	100.00
Total 490 · Miscellaneous Income	<u>77,214.45</u>	<u>53,693.50</u>	<u>8,500.00</u>	<u>408.00</u>	<u>5,500.00</u>
Total Income	<u>298,991.45</u>	<u>334,050.50</u>	<u>281,500.00</u>	<u>280,805.00</u>	<u>327,320.00</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	2,129.93	1,200.00	1,374.45	1,400.00
631 · Water Quality	-	-	-	-	-
615 · Fish Stocking	-	3,500.00	1,200.00	1,200.00	1,200.00
618 · Buoys	4,501.56	750.00	5,000.00	5,000.00	5,000.00
Total 600 · Lake Use & Safety	<u>13,243.51</u>	<u>14,379.93</u>	<u>16,400.00</u>	<u>16,574.45</u>	<u>16,600.00</u>
630 · Lake Renewal					
649 · Rent Expense - Cells	21,401.47	22,043.51	22,000.00	23,000.00	24,000.00
642 · Engineering	-	-		10,000.00	10,000.00
643 · Permits	-		100.00	-	100.00

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	<u>Actual</u>	<u>Actual</u>		<u>PROJECTED</u>	<u>PROPOSED</u>
Ordinary Operating Income and Expenses					
645 · Sampling & Testing	-	20,500.34		40,000.00	5,000.00
647 · SSA Expenses	1,750.00		2,000.00	-	-
630 · Lake Renewal - Other	7,980.00	25,196.00	12,000.00	5,742.95	15,000.00
Total 630 · Lake Renewal	31,131.47	67,739.85	36,100.00	78,742.95	54,100.00
650 · Dam					
651 · Maintenance	18,745.40	17,635.00	20,000.00	19,640.00	20,000.00
652 · Repairs	11,550.61	-	15,000.00	15,000.00	25,000.00
655 · Utilities	1,164.24	1,266.90	2,000.00	2,000.00	2,000.00
Total 650 · Dam	31,460.25	18,901.90	37,000.00	36,640.00	47,000.00
700 · Payroll					
701 · Payroll Expenses	72,448.38	66,442.51	78,000.00	77,991.08	80,000.00
705 · Payroll Tax	6,043.32	5,424.04	7,800.00	7,719.31	8,000.00
707 · Workers Comp Insurance	103.99	964.02	850.00	1,000.00	1,000.00
706 · PAYROLL SERVICE FEE	138.25	98.00	200.00	203.50	200.00
Total 700 · Payroll	78,733.94	72,928.57	86,850.00	86,913.89	89,200.00
	<u>Jan - Dec 22</u>	<u>Jan - Dec 23</u>	<u>2024 Budget</u>	<u>Jan - Dec 24</u>	<u>2025 Budget</u>
	<u>Actual</u>	<u>Actual</u>		<u>PROJECTED</u>	<u>PROPOSED</u>
710 · Office & Building Expense					
751 · Office Supplies	350.31	714.53	750.00	750.00	750.00
735 · Internet	1,556.54	1,899.06	2,200.00	2,136.69	2,200.00
811 · Membership Fees	404.00	150.00	425.00	484.00	425.00
737 · Website	270.00	1,237.50	300.00	300.00	300.00
712 · Utilities	3,692.55	3,467.03	4,000.00	3,663.58	4,000.00
834 · Advertising	140.00		150.00	150.00	150.00
831 · Postage	1,200.78	745.25	1,500.00	1,500.00	1,500.00
832 · Printing	449.85	854.39	900.00	749.64	900.00
835 · Newsletter	-	400.50	-	485.00	500.00
861 · Bank Charges	124.63	(77.79)	100.00	100.00	100.00
881 · Bad Debt	-	72.00	-	-	-
713 · Maintenance	1,024.18	415.00	5,000.00	5,000.00	5,000.00
710 · Office Expense - Other	1,162.78	1,281.37	1,000.00	1,000.00	1,000.00
Total 710 · Office & Building Expense	10,375.62	11,158.84	16,325.00	16,318.91	16,825.00
740 · Professional Services					

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	<u>Actual</u>	<u>Actual</u>		<u>PROJECTED</u>	<u>PROPOSED</u>
Ordinary Operating Income and Expenses					
741 · Legal	6,650.97	11,676.27	10,000.00	15,000.00	15,000.00
742 · Accounting	2,987.40	3,481.92	3,500.00	3,542.07	4,000.00
745 · Consulting	1,089.37	-	1,000.00	1,000.00	1,000.00
740 · Professional Services - Other	149.63			-	
Total 740 · Professional Services	<u>10,877.37</u>	<u>15,158.19</u>	<u>14,500.00</u>	<u>19,542.07</u>	<u>20,000.00</u>
Total 780 · Travel & Entertainment					
781 · Travel & Lodging	-	538.89	-	-	-
851 · Conferences	-	-	500.00	500.00	500.00
785 · Meetings	120.00	-		137.43	150.00
780 · Travel & Entertainment - Other	471.21	-	500.00	500.00	500.00
Total 780 · Travel & Entertainment	<u>591.21</u>	<u>538.89</u>	<u>1,000.00</u>	<u>1,137.43</u>	<u>1,150.00</u>
790 · Insurance					
795 · Property Insurance	55,005.00	53,616.86	65,000.00	69,254.27	75,000.00
790 · Insurance - Other	1,080.00	5,734.61	1,100.00	(44.00)	-
Total 790 · Insurance	<u>56,085.00</u>	<u>59,351.47</u>	<u>66,100.00</u>	<u>69,210.27</u>	<u>75,000.00</u>
840 · Taxes, Licenses & Fees					
843 · Business Licenses & Fees	-		10.00	10.00	10.00
842 · Real Estate Taxes	123.75	6,717.46	7,050.00	7,050.00	7,260.00
840 · Taxes, Licenses & Fees - Other	10.00	10.00		-	
Total 840 · Taxes, Licenses & Fees	<u>133.75</u>	<u>6,727.46</u>	<u>7,060.00</u>	<u>7,060.00</u>	<u>7,270.00</u>
Total Expense	<u>232,632.12</u>	<u>266,885.10</u>	<u>281,335.00</u>	<u>332,139.97</u>	<u>327,145.00</u>
Income in excess of or less than Expenses	66,359.33	67,165.40	165.00	(51,334.97)	175.00
Other Income/Expense					
Other Income					
460 · Fireworks Fundraising Income	30,216.13	29,233.83	30,000.00	30,000.00	30,000.00
902 · Gain on Sale of Fixed Asset	-	-	-	445.50	-
901 · Interest Earned	1.63	751.75	2.00	2,248.99	1,500.00
909 · Other Income	559.22	648.84	550.00	84.07	550.00
Total Other Income	<u>30,776.98</u>	<u>30,634.42</u>	<u>30,552.00</u>		<u>32,050.00</u>
Other Expense					
560 · Fireworks Expenses	25,493.83	29,294.59	26,000.00	30,000.00	30,000.00

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	<u>Actual</u>	<u>Actual</u>		<u>PROJECTED</u>	<u>PROPOSED</u>
Ordinary Operating Income and Expenses					
951 · Interest Expense	1,504.21	1,336.39	1,500.00	1,500.00	1,500.00
Total Other Expense	<u>26,998.04</u>	<u>30,630.98</u>	<u>27,500.00</u>	<u>31,500.00</u>	<u>31,500.00</u>
Excess of other income over other expenses	<u>3,778.94</u>	<u>3.44</u>	<u>3,052.00</u>	<u>(31,500.00)</u>	<u>550.00</u>
Income (Loss) before Depreciation Entry	<u>70,138.27</u>	<u>67,168.84</u>	<u>3,217.00</u>	<u>(82,834.97)</u>	<u>725.00</u>
Non Cash Accounting Transactions					
679 · Depreciation Expense	608,853.00	551,850.00	500,000.00	501,409.92	500,000.00
Total Income Loss Including Depreciation	<u>(538,714.73)</u>	<u>(484,681.16)</u>	<u>(496,783.00)</u>	<u>(584,244.89)</u>	<u>(499,275.00)</u>