

***Woodwinds Council of Co-Owners  
Condominium Association  
Reston, Virginia***

***Treasurer's Report  
March 2007***

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## 1. REVIEW OF WOODWINDS GOVERNING DOCUMENTS

I reviewed the Woodwinds Master Deed to verify that the method of calculating assessment fees was correct and accurate. I discovered that the Master Deed contains calculation errors.

1. Based on the square footage of individual units stated in Section Six, Section Four incorrectly states the total area of the Woodwinds units:

Total area (Master Deed)	Total Area (Corrected)
183,066	183,006

2. Using the corrected total square footage of all the units, the percentage of shared interest by unit type stated in Section Seven is incorrectly calculated:

Unit Type	% Share (Master Deed)	% Share (Corrected)	Variance
2-A	.6300	.6300	0
2-B	.6429	.6426	(.0003)
3-A	.8936	.8934	(.0002)
3-B	.9014	.9011	(.0003)
3-C	.9071	.9076	0005
2-C	.6394	.6393	(.0001)
2-D	.6235	.6235	0
2-E	.6822	.6825	.0003
2-F	.6665	.6666	.0001
2-G	.6413	.6415	.0002
2-H	.6850	.6847	(.0003)

3. Based on corrected unit percentage shares, the total shares can be recalculated and reconciled properly, as follows:

Total % Shares (Master Deed)	Total % Shares (Corrected)
99.9997	100.0000

These figures should be used to calculate accurate, proportionate shares for each unit when apportioning the cost Association activities.

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## 2. OPERATING BUDGET FOR 2007

The 2007 operating budget proposed at the Annual Meeting in November 2006 was rejected by the attending membership<sup>1</sup> because it required an assessment fee increase necessary to fund increasingly higher operating expenses. The Board reverted to the 2006 budget, which is modified and submitted here as the working budget for 2007.

### 2.1. BUDGET CHANGES

Assessment fees typically pay for common expenses that benefit all of the units in the Association. However, some expenses benefit less than all of the units. Liability for common expenses that benefit fewer than all of the units are accounted for in Section 55-79.83 of the Code of Virginia. These expenses "shall be specially assessed against the condominium unit or units involved...."

- Chimney inspection/cleaning (townhouses only)
- Natural gas water heaters (garden condominiums only)

The chimney inspections and water heaters are already budget line items but are not apportioned correctly among only the Association's units that benefit from them. This has been corrected by reallocating those expenses in the budget and adjusting those units' fees accordingly.

- Carports (specific units only)

The carports historically have been omitted as a budgeted expense but it is recognized that there are repair and maintenance issues associated with them. In addition, the carports' values are not considered when calculating the value of the units to which they are assigned. This needs to be determined.

- Chimney inspection/cleaning (townhouses only)

Janitorial expenses have been apportioned between the garden condos and the entire property based on a breakdown of tasks/time performed by the service provider. All garden condos share 80% of this expense, with the remaining 20% shared equally by all 144 units in the association.

- Reserve Study

At the February Board Meeting, the Board determined that an update to the 2003 reserve study was necessary before making any adjustments to the assessment fees. In preparation for this exercise, \$3,000 was allocated in the Miscellaneous Administrative expense line item of the budget. The reserve study is tentatively scheduled for Spring 2007.

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<sup>1</sup> The legitimacy of this action is unclear. The governing documents do not specify a mechanism for members of the association to 'reject' a budget.

### 3. RECOMMENDATIONS

#### 3.1. CHANGES TO UNIT ASSESSMENTS

- Update Woodwinds records to reflect units' correct percentage shares used to calculate ownership, voting, and assessed fees
- Apply unit-specific expenses to the specific units that benefit from each expense (chimneys, water heaters, janitorial services, carports)
- **NOTE:** The 2006 fee structure will be maintained until a full review of the Association's physical and financial status has been completed. At that time, the correct percent share calculations will be used to determine new unit fees.

#### 3.2. UPCOMING FINANCIAL PLANNING ACTIVITIES

- Conduct a survey of all unit owners to identify problems and issues that can be attributed to common expenses (roof leaks, balcony flaws, etc.)
- Contract with an engineer/architect to conduct a reserve study of Woodwinds common elements
- Update list of planned repair/replacement projects to be completed in 2007.
- Ensure that fee structure will support complete and timely funding of projects identified in the reserve study. Funding options include
  - Reallocate money in the 2007 operation budget to cover identified expenses;
  - Take money from reserves and replenish the money in the following year through an increase in assessment fees;
  - Impose a special assessment to fully fund identified expenses;
  - Secure a loan to pay for identified expenses and amortize the loan over an agreed-to period of years.

## WOODWINDS 2007 WORKING BUDGET

	Actual	2006	2006	Proposed
	Jan-Dec 05	Budget	Actual	2007 Budget
<b>Ordinary Income/Expense</b>				
<b>1000 - INCOME</b>				
1100 - Assessment Fees	388,956.00	427,260.00	427,260.00	427,212.00
1200 - Move-In Fee	2,200.00	2,000.00	1,100.00	1,200.00
1300 - Late Charges	3,000.00	2,500.00	2,944.00	2,500.00
1400 - Interest Income	5,483.06	2,500.00	9,981.43	2,500.00
1500 - Miscellaneous Income	1,249.22	1,000.00	580.00	400.00
<b>Total Income</b>	<b>400,888.28</b>	<b>435,260.00</b>	<b>441,865.43</b>	<b>433,812.00</b>
<b>Expense</b>				
<b>4000 - ADMINISTRATIVE EXPENSES</b>				
4100 - Management Agency Fee	26,000.04	29,376.00	29,376.00	20,000.00
4200 - Taxes	731.00	2,000.00	1,200.00	1,500.00
4300 - Audit / Tax Preparation	2,000.00	2,050.00	1,950.00	2,000.00
4400 - Legal Fees	(136.50)	1,000.00	1,594.40	1,000.00
4500 - Recording Secretary	870.00	1,500.00	1,415.00	750.00
4600 - Misc. Administration	2,691.26	2,000.00	4,588.73	7,500.00
<b>Total 4999 - ADMINISTRATIVE EXPENSES</b>	<b>32,155.80</b>	<b>37,926.00</b>	<b>40,124.13</b>	<b>32,750.00</b>
<b>5000 - COMMON SHARED EXPENSES</b>				
5100 - Master Hazard Insurance	23,038.50	27,000.00	26,949.00	30,000.00
5200 - Water / Sewer	33,168.94	32,500.00	34,042.40	35,000.00
5300 - Electricity / Watchlights	8,761.84	8,100.00	7,663.09	8,100.00
5400 - Grounds Maintenance	22,861.63	25,400.00	25,139.96	25,400.00
5401 - Landscaping	8,219.58	15,000.00	8,258.75	13,000.00
5402 - Tree Care	3,210.00	5,000.00	5,897.00	5,000.00
5403 - Bird Sanctuary	239.87	300.00	249.77	260.00
5404 - Trash Removal	20,312.40	21,150.00	24,916.32	25,000.00
5405 - Snow Removal	10,939.00	11,000.00	3,270.00	5,000.00
5406 - Janitorial	0.00	0.00	0.00	3,540.00
5500 - Pest Treatment/Control	4,992.00	5,250.00	2,691.00	3,500.00
5600 - General Maintenance	32,059.82	31,677.00	27,186.29	32,000.00
5800 - Water Leaks	51,503.25	43,794.00	55,337.44	40,000.00
5900 - Unanticipated Expenses	0.00	0.00	0.00	3,202.00
<b>Total 5000 - COMMON SHARED EXPENSES</b>	<b>219,306.83</b>	<b>226,171.00</b>	<b>221,601.02</b>	<b>229,002.00</b>
<b>7000 - GARDEN CONDO EXPENSES</b>				
7100 - Electricity	7,481.48	6,000.00	7,222.13	7,500.00
7200 - Gas	27,129.23	30,000.00	25,661.21	27,000.00
7400 - Janitorial	17,226.00	17,300.00	17,456.00	14,160.00
7401 - Carpet Cleaning	0.00	3,000.00	2,125.00	2,500.00
7402 - Window Cleaning	0.00	1,500.00	2,295.00	2,600.00
7403 - Lighting Supplies	5,723.00	5,000.00	5,521.00	6,000.00

<b>7800 - Plumbing</b>	<u>7,874.23</u>	<u>6,000.00</u>	<u>18,256.36</u>	<u>10,000.00</u>
<b>Total 7000 · GARDEN CONDO EXPENSES</b>	<u>65,433.94</u>	<u>68,800.00</u>	<u>78,536.70</u>	<u>69,760.00</u>
<b>8000 · TOWNHOME EXPENSES</b>				
<b>8100 · Chimney Inspection</b>	700.00	900.00	700.00	800.00
<b>8800 - Plumbing</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Total 8000 · TOWNHOME EXPENSES</b>	<u>700.00</u>	<u>900.00</u>	<u>700.00</u>	<u>800.00</u>
<b>Total Expense</b>	<u>317,596.57</u>	<u>333,797.00</u>	<u>340,961.85</u>	<u>332,312.00</u>
<b>Net Ordinary Income</b>	83,291.71	101,463.00	100,903.58	101,500.00
<b>Other Income/Expense</b>				
<b>9000 · Reserves</b>	<u>77,050.00</u>	<u>101,463.00</u>	<u>101,463.00</u>	<u>101,500.00</u>
<b>Total Other Expense</b>	<u>77,050.00</u>	<u>101,463.00</u>	<u>101,463.00</u>	<u>101,500.00</u>
<b>Net Other Income</b>	<u>(77,050.00)</u>	<u>(101,463.00)</u>	<u>(101,463.00)</u>	<u>(101,500.00)</u>
<b>Net Income</b>	<u><u>6,241.71</u></u>	<u><u>0.00</u></u>	<u><u>(559.42)</u></u>	<u><u>0.00</u></u>