

SEAL BEACH MUTUAL NO. SIX**Accounting and Fiscal****Mutual Budgets****1. LEGAL BASIS**

1.1. The Regulatory Agreement between the Mortgager (Mutual) and the Department of Housing and Urban Development (HUD) requires, under Section 4, that an Operating Budget shall be prepared and submitted to HUD sixty (60) days prior to the beginning of each fiscal year.

1.2. Civil Code 1365 requires distribution of the Operating Budget to all members/stockholders annually 45 to 60 days before the beginning of the fiscal year. In addition, a summary of the association's reserves, whether special assessments will be needed for repairs or to replenish reserves, and a statement of the procedures used for the calculation of the reserves must be included.

1.3. The Management Agreement between the Mutuals and the Golden Rain Foundation requires, under paragraph Fourth, subparagraph (k), that the Foundation shall prepare a budget for adoption by the Mutuals for those items covered by the Agreement.

2. METHOD OF PREPARATION

2.1. Since the Management Agreement between the Mutual and the Foundation requires the Foundation to prepare a budget with respect to the items contained in the Agreement, and since these items become a portion of the budget of the Mutual Corporations, the following procedure is used in preparing and presenting budgets for adoption:

2.1.1. The Golden Rain portion of the budget is prepared and adopted by the Board of Directors during July and August for the fiscal year following.

2.1.1.1. The portions of the budget covered by this adoption are:

- Administration, Property Management, Recreation, Grounds Maintenance (Community Facilities), Transportation, Community Facilities Maintenance, Security, Service Maintenance (all phases except Mutual Other Improvements). Janitorial Services.

2.1.2. After the adoption of the Golden Rain Foundation budget, the costs of this budget are allocated to the Mutual for use in their budget preparation.

2.1.3. The Golden Rain Foundation is responsible for furnishing information to the Mutual Corporations regarding those budget items which are not covered by the Foundation budget. These costs fall into two groups:

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43 **2.1.3.1.** The items that are either required by contract or set up by
44 governmental agencies are:

- 45 • Real Estate Taxes, Hazard Insurance, State
46 Franchise Tax, Mortgage Insurance, FHA
47 Mortgage Insurance Premium, Mortgage principal,
48 Replacement Reserve, General Operating
49 Reserve, Water and Sewer.

50 **2.1.3.2.** The items which must be determined by the Mutual Board
51 individually are:

- 52 • Audit Fee, Vacancy and Collection Losses,
53 Electricity, Rubbish Removal* , Grounds
54 Maintenance – other improvements, Service
55 Maintenance – other improvements, Misc.
56 Maintenance and Repairs, Painting Reserve,
57 Supplemental Replacement Reserve, Special
58 Contingency Funds.
- 59 • *Arranged cooperatively through the Golden rain
60 Foundation.

61 **2.1.4.** Recommendations by the Golden Rain Foundation concerning the
62 Mutual budget, together with estimates of income, expenses, and
63 monthly carrying charges, should be available to the Mutual
64 Corporations four (4) working days period to their September Board
65 Meeting. This will enable the Mutual Corporations to have a period of
66 time for study, evaluation, adjustment, and adoption of their budget
67 prior to October.

68 **2.1.4.1.** Approximately three (3) weeks are needed after Mutual
69 adoption to complete the clerical work in the Controller's
70 Office for preparing the documentation and required reports
71 for submission to HUD by November 1, and the required
72 distribution to the members/stockholders between
73 November 1 and November 15.

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75 **3. OTHER INFORMATION**

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77 **3.1.** The administrative staff is always ready and available to discuss proposed
78 budget actions, and to make budget presentations when requested by the Mutual
79 Board.

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81 **3.2.** The action by the Mutual Board is the final action on the budget subject to HUD
82 approval, and is the determining factor in the monthly carrying charge for all
83 residents.

84 **3.3.** In order to keep all Directors informed of the procedures on the budget, the

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85 following other information is furnished:

86 **3.3.1.** The Presidents and Chief Financial Officers of the Mutual Boards are
87 furnished pertinent budget information at the same time as the Golden
88 Rain Board.

89 **3.3.1.1.** All Mutual Directors are furnished complete information on
90 the Golden Rain budget when it is adopted, together with
91 complete information on the Mutual budget
92 recommendations.
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94 **3.4.** Normally, the first or second week in September is used for study meetings
95 between the Mutual President and CFO/Treasurer and the staff so that complete
96 information is available for determining budget factors.
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Document History

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