



## **2026 Budget Overview**

This overview summarizes the key steps taken and outcomes achieved during the development of the Bald Head Association's 2026 budget. The objective of this year's process was to improve accuracy, transparency, and long-term financial sustainability while remaining mindful of the financial impact on property owners.

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### **Major Steps Taken to Improve Budget Accuracy**

#### **1. Budget Structure Reformatting**

The budget was restructured from a continuous line-item revenue and expense format into a cost-center grouping format. This change provides clearer visibility into how funds are allocated across operational areas and improves benchmarking for future budgeting and financial reporting.

#### **2. Expanded Staff Involvement**

Staff input was incorporated more extensively than in prior years to identify potential gaps in service scope and to explore revenue opportunities. This collaborative approach strengthened the accuracy and completeness of departmental budget assumptions.

#### **3. Updated Reserve Study**

The reserve study was updated to reflect 2025 replacement values, replacing estimates previously based on 2020 data. Projected end-of-useful-life dates for BHA assets were also revised to account for actual wear and usage.

#### **4. Development of a 30-Year Reserve Model**

A 30-year reserve funding model was developed and utilized by the Finance Committee and Board to better evaluate the long-term impact of various annual contribution levels to the master reserve account.

#### **5. Clear Separation of Operating and Reserve Funds**

During the rebuilding of the staff budget model, intentional steps were taken to clearly separate operating funds from reserve funds. This distinction is especially important given that both are funded through a single assessment rate.

### **Key Takeaways from the 2026 Budgeting Process**

- **Responsible Planning:** BHA acted prudently by commissioning an updated reserve study, aligning with best practices for asset management and long-term financial planning.
- **Balanced Assessment Increase:** Maintaining a 4% assessment increase—consistent with the prior year—helps address inflationary pressures while minimizing the financial burden on property owners.
- **Enhanced Transparency:** The budgeting process was highly detailed and collaborative, with staff working closely alongside Finance Committee leadership to ensure full transparency of annual expenditures.
- **Improved Asset Evaluation Procedures:** New procedures were implemented to conduct visual inspections aimed at identifying any imminent major repair or replacement needs.
- **Improved Organization and Benchmarking:** Revenue and corresponding expenditures are now better aligned within cost-center categories, supporting clearer analysis and more consistent future reporting.

The 2026 budgeting process represents a meaningful step forward in BHA's financial management practices. Through improved structure, updated data, and collaborative planning, the Association is better positioned to responsibly manage its assets, maintain transparency, and support long-term financial sustainability.

## 2026 MASTER ASSOCIATION BUDGET

	2025 Operating Fund	2026 Operating Fund	2026 Reserve Fund	Total Funds	Yr. to Yr. Change Operating Fund
<b>Revenues</b>					
<b>Master Association Revenue</b>				-	
4000 - 000 Assessments Income - Basic	847,552	899,195		899,195	51,643
4300 - 000 NSB Reserves Interest Income - BHA	17,273	17,273		17,273	-
4305 - 000 Vanguard Reserves Income	19,527	19,527		19,527	-
4306 - 000 Vanguard Reserves Interest Income		-		-	-
4225 - 000 Re-sale Transfer Fee Income	23,400	23,400		23,400	-
4050 - 000 Recovery of Bad Debt		-		-	-
4060 - 000 Interest Fee - Late Assessments - BH	3,536	1,000		1,000	(2,536)
4065 - 000 Late Fee	6,878	6,500		6,500	(378)
4070 - 000 Collection Fees	98	-		-	(98)
4850 - 000 Misc. Income	5,050	5,000		5,000	(50)
Operations Administrative Revenue	239,171	233,671		233,671	(5,500)
Communications & Marketing Revenue	66,432	71,180		71,180	4,748
Amenity Revenue	58,451	63,625		63,625	5,174
<b>TOTAL REVENUES</b>	<b>1,287,368</b>	<b>1,340,371</b>	<b>-</b>	<b>1,340,371</b>	<b>53,003</b>
<b>Expenses</b>					
Overhead & Related Expenses	908,608	935,563		935,563	26,955
Operations Administrative Expenses	122,677	126,468		126,468	3,791
Board Related Expenses	11,311	12,200		12,200	889
Communications & Marketing	43,522	48,651		48,651	5,129
Taxes, Fees & Insurance	87,463	122,171		122,171	34,708
Common Area Maintenance Expenses	13,723	16,900		16,900	3,177
Amenity Specific Expenses	76,856	90,493		90,493	13,637
<b>TOTAL OPERATING &amp; ADMINISTRATIVE EXPENSES</b>	<b>1,264,160</b>	<b>1,352,446</b>	<b>-</b>	<b>1,352,446</b>	<b>88,286</b>
<b>Reserve Projects &amp; Required Annual Contribution</b>					
<b>Planned Projects 2026</b>					
Funds due to Operating from Reserves Savings Accounts			(15,500)	(15,500)	(15,500)
Planned Reserve Project Repairs-Association C	-		15,500	15,500	15,500
<b>Annual Reserve Funding Savings Contributions (50% Funding Rate)</b>				-	-
9200 - 000 Reserves Expense - Master	-		12,282	12,282	12,282
9200 - 080 Reserves Expense - Boat Yard	4,550		3,560	3,560	(990)
9200 - 085 Reserves Expense - Garden	1,750		-	-	(1,750)
9200 - 100 Reserves Expense - AC	15,000		14,062	14,062	(938)
9200 - 125 Reserves Expense - Battery 4	10,500		3,738	3,738	(6,762)
9200 - 900 Reserves Expense - Cedar Court	448		141	141	(307)
9200 - 950 Reserves Expense - Palm Court	1,750		160	160	(1,590)
<b>TOTAL RESERVE EXPENSES &amp; CREDIT</b>	<b>33,998</b>	<b>-</b>	<b>33,943</b>	<b>33,943</b>	<b>(55)</b>
<b>TOTAL EXPENSES</b>	<b>1,298,158</b>	<b>1,352,446</b>	<b>33,943</b>	<b>1,386,389</b>	<b>88,231</b>
<b>GAIN/LOSS</b>	<b>(10,790)</b>	<b>(12,075)</b>		<b>(46,018)</b>	<b>(35,228)</b>
<b>CARRYOVER FROM PRIOR YEAR OPERATING SURPLUS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCOME</b>	<b>(10,790)</b>	<b>(12,075)</b>	<b>-</b>	<b>(46,018)</b>	<b>(35,228)</b>