

SANDPIPER CAY CONDOMINIUM OWNERS ASSOCIATION
P.O. Box 449, Kitty Hawk, North Carolina 27949-0449

November 28, 2011

Dear Sandpiper Cay Owner:

On behalf of your Association's Board of Directors, I am writing to you with an overview of the Association's 2012 Budget, which the Board adopted during its meeting held on Friday, November 11, 2011.

Monthly Assessments for 2012

The 2012 monthly assessment has been set at \$275, which is an increase of \$5 per month over 2011. As discussed below, all of the increase will be placed into the Association's reserve account.

Review of 2011 Financial Results

Based on the actual operating results through October 2011, and using our best estimates for the months of November and December 2011, the financial results for 2011 are expected to be very close to the budgeted amounts. The Board has indicated its intention to transfer the excess of 2011 revenues over 2011 expenses into the reserve account.

In addition to the day-to-day normal operations of the community, during 2011 the Association replaced three more roofs and completely renovated the swimming pool.

Budget Priorities for 2012

As in previous years, the Association's Board of Directors has adopted several budget priorities for 2012, as follows: first, to set aside at least 11.5% of assessments in a separate reserve account that will not be spent during 2012 except in the case of an emergency; second, to maintain the current level of services to owners and residents, including grounds maintenance, pool monitor services, and necessary repairs and maintenance; third, to continue to repair, and to completely replace if necessary, the roofs in the community that are suffering from structural failures; fourth, to obtain an audit by a CPA firm of the 2011 books and records of the Association; and fifth, to provide sufficient funding for legal services to continue to pursue legal action against unit owners that are severely delinquent in their financial obligations to the community.

Some other items of interest regarding the 2012 budget are: the Association's insurance premiums decreased slightly for the September 1, 2011 through August 31, 2012 policy year; two roofs are budgeted for replacement in 2012; roughly one-third of the community's septic tanks will be cleaned in 2012; some maintenance costs should be lower as the project to replace all of the outside wood staircases will be completed in 2012; and other maintenance costs will be higher to complete the replacement of cedar shakes blown off by Hurricane Irene.

Cedar Shakes Must be Replaced

The clear message sent to the Association by Hurricane Irene is that the cedar shakes throughout the community, and the nails or staples that hold them in place, are more fragile than originally known. In the process of repairing the shakes lost in the storm, the surrounding shakes were found to be very brittle, and larger areas of shakes had to be replaced on some buildings, increasing the repair expense. The bottom line is that the Association will need to replace the shakes sooner rather than later. The Board is currently considering a plan to begin to replace the wood shakes, the funds for which would have to come from the Association's reserves. This would need to be a multi-year project, as the Association currently has limited reserves, so only 5 or 6 buildings could be renovated per year. The Board of Directors decided to increase the 2012 monthly assessment by \$5 per unit per month to accelerate the additions to reserves to allow for the shake replacements in future years. In the coming months the Board will obtain quotes for replacing the cedar wood shakes with either new wood shakes or vinyl shakes.

Board Meetings and 2012 Annual Meeting

We encourage Sandpiper Cay owners to attend our open Board meetings or to submit questions or comments. The minutes of our meetings are posted on our web site.

We also look forward to seeing you at the Annual Meeting on Saturday, March 17, 2012. If you have an interest in being nominated for a seat on the Association's Board of Directors, the 2012 "Nomination Petition" form and instructions are posted on our web site. The form and instructions will also be available at the Association's office during posted business hours.

Sincerely,



Stephen R. Kinnier

President

Sandpiper Cay Condominium Owners Association

**Sandpiper Cay
2012 Budgeted Income and Expenses**

Account Name	Projected Final Balances For 2011		Change		Budgeted Balances For 2012	
	Total Dollars	Per Unit Per Month	Total Dollars	Percent Dollars	Total Dollars	Per Unit Per Month
Income						
Owner Dues	907,200	270.00	16,800	1.9%	924,000	275.00
Interest Income	1,641	0.49	159	9.7%	1,800	0.54
Owner Dues Reserve for Loss	(8,270)	(2.46)	(11,530)	139.4%	(19,800)	(5.89)
Other Income	4,763	1.42	37	0.8%	4,800	1.43
Total Income	905,334	269.44	5,466	0.6%	910,800	271.07
Expenses						
Monthly Maintenance Fee	177,360	52.79	2,760	1.6%	180,120	53.61
General Maintenance - Exterior	35,691	10.62	8,754	24.5%	44,445	13.23
Clubhouse Maintenance	215	0.06	(215)	-100.0%	0	0.00
Electricity	16,447	4.90	663	4.0%	17,110	5.09
Telephone	3,513	1.05	137	3.9%	3,650	1.09
Water	1,864	0.55	76	4.1%	1,940	0.58
Legal	21,589	6.43	(9,589)	-44.4%	12,000	3.57
Insurance	285,597	85.00	(12,262)	-4.3%	273,335	81.35
Accounting	4,500	1.34	0	0.0%	4,500	1.34
Management Fees	51,408	15.30	792	1.5%	52,200	15.54
Office Expense	2,312	0.69	88	3.8%	2,400	0.71
Postage	590	0.18	20	3.4%	610	0.18
Taxes	434	0.13	66	15.2%	500	0.15
Grounds Maintenance	46,156	13.74	(2,156)	-4.7%	44,000	13.10
Irrigation	14,595	4.34	585	4.0%	15,180	4.52
Irrigation Supplies	2,875	0.86	115	4.0%	2,990	0.89
Pool Maintenance	23,026	6.85	(19,426)	-84.4%	3,600	1.07
Pool Monitors	11,427	3.40	233	2.0%	11,660	3.47
Pest Control	12,600	3.75	(3,720)	-29.5%	8,880	2.64
Pool Supplies and Chemicals	6,452	1.92	258	4.0%	6,710	2.00
Maintenance Supplies	31,746	9.45	5,774	18.2%	37,520	11.17
Depreciation	2,682	0.80	(682)	-25.4%	2,000	0.60
Miscellaneous	5,218	1.55	212	4.1%	5,430	1.62
Subtotal Operating Expenses	758,297	225.68	(27,517)	-3.6%	730,780	217.49
Roof Replacements	55,980	16.66	16,520	29.5%	72,500	21.58
Reserves Lockbox Contribution	91,373	27.19	16,147	17.7%	107,520	32.00
Total Expenses and Reserves	905,650	269.54	5,150	0.6%	910,800	271.07
Net Profit (Loss)	(316)	(0.09)	316	0.0%	(0)	(0.00)

Sandpiper Cay Condominium Owners Association
P.O. Box 449
Kitty Hawk, NC 27949-0449

Board of Directors

<u>Name</u>	<u>Officer Title</u>	<u>Board Term Expires</u>
Steve Kinnier	President	2014
Linda Craig	Vice President	2012
Liz Puma	Treasurer	2014
Pat Ambrose	Secretary	2013
Tom Watkins		2012

Association Manager

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