

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

December 1, 2010

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 2011 Budget, which the Board adopted during its meeting held on Monday, November 15, 2010.

Monthly Assessments for 2011

The 2011 monthly assessment has been set at \$270, which is unchanged from 2010.

Budget Priorities for 2011

In considering its various options for the 2011 Budget, the Association's Board of Directors adopted a set of five priorities, as follows: first, to continue to set aside at least 10% of assessments in a separate reserve account that will not be spent during 2011 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 2010 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.

On behalf of the Board of Directors, I am pleased to announce that we have been able to adopt a budget that meets all five of these priorities without an increase in monthly assessments.

There are three very important matters in the 2011 Budget that need some explanation. These relate to reserves, insurance and repairs.

Sandpiper Cay COA is Building Reserves!

As provided for in the 2010 Budget, by the end of this year we will have placed \$90,720 (10% of total assessments) into a reserve bank account. We have budgeted for an additional \$90,720 to go into the reserve bank account in 2011. Building up cash reserves is quite an accomplishment for a condominium owners association that began 2010 with no reserves and has been replacing two to three roofs each year on a pay-as-you-go basis. We hope that future Boards will continue to follow this budget discipline, so that in ten to fifteen years the Association will be in a position to replace aging building components out of reserves instead of from the operating budget.

Replacements of Roofs and Other Repairs

The project to replace failing roofs continues, with a total of seven buildings (300, 600, 1000, 1300, 3100, 2700 and 3400) getting new roofs since December 2008. The 2011 Budget adopted by the Board provides for two more roof replacements.

You will also note that the 2011 Budget nearly triples the allocation for general maintenance and repairs compared to 2010, as we continue to identify new challenges with our aging buildings. We certainly hope that we will not need to spend this much on maintenance in 2011, but it is good business for the Board to set the funds aside in advance just in case. If it turns out that we do not need all these additional budgeted amounts for maintenance and repairs in 2011 then the Board will most likely apply any surplus in this budget line-item to the roof replacements project.

Insurance

The single largest budget line item in the is property and casualty insurance. Almost one-third of the 2011 Budget goes to insurance (\$87 per unit per month). For the current policy year that began on September 1, 2010, the Association is now subject to an out-of-pocket deductible of 5% of total damages per building when those damages are the result of a "Named Storm." In order to keep the previous deductible for "Named Storm" damages the Association would have had to pay over \$100,000 more per year for insurance. The Board of Directors decided that this very large deductible buy-down premium was unreasonable for Sandpiper Cay.

Board Meetings and 2011 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 12, 2011. If you have an interest in being nominated for a seat on the Association's Board of Directors, the 2011 "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
2011 Budgeted Income and Expenses**

Account Name	Projected Final Balances For 2010		Change		Budgeted Balances For 2011	
	Total Dollars	Per Unit Per Month	Total Dollars	Percent Dollars	Total Dollars	Per Unit Per Month
Income						
Owner Dues	907,200	270.00	0	0.0%	907,200	270.00
Interest Income	1,855	0.55	145	7.8%	2,000	0.60
Owner Dues Reserve for Loss	(25,000)	(7.44)	2,320	-9.3%	(22,680)	(6.75)
Other Income	5,555	1.65	(755)	-13.6%	4,800	1.43
Total Income	889,611	264.77	1,709	0.2%	891,320	265.27
Expenses						
Monthly Maintenance Fee	177,480	52.82	0	0.0%	177,480	52.82
General Maintenance - Exterior	15,255	4.54	28,745	188.4%	44,000	13.10
Clubhouse Maintenance	788	0.23	12	1.6%	800	0.24
Electricity	16,692	4.97	808	4.8%	17,500	5.21
Telephone	3,618	1.08	182	5.0%	3,800	1.13
Water	2,062	0.61	238	11.5%	2,300	0.68
Legal	12,736	3.79	4,014	31.5%	16,750	4.99
Insurance	281,047	83.64	10,682	3.8%	291,729	86.82
Accounting	4,500	1.34	0	0.0%	4,500	1.34
Management Fees	51,408	15.30	0	0.0%	51,408	15.30
Office Expense	2,441	0.73	(641)	-26.3%	1,800	0.54
Postage	1,056	0.31	44	4.2%	1,100	0.33
Taxes	619	0.18	(19)	-3.1%	600	0.18
Grounds Maintenance	44,496	13.24	504	1.1%	45,000	13.39
Irrigation	14,595	4.34	405	2.8%	15,000	4.46
Irrigation Supplies	6,142	1.83	(1,642)	-26.7%	4,500	1.34
Pool Maintenance	210	0.06	40	19.0%	250	0.07
Pool Monitors	11,676	3.48	(76)	-0.7%	11,600	3.45
Pest Control	8,280	2.46	120	1.4%	8,400	2.50
Pool Supplies and Chemicals	4,481	1.33	319	7.1%	4,800	1.43
Maintenance Supplies	20,708	6.16	3,292	15.9%	24,000	7.14
Depreciation	2,682	0.80	(182)	-6.8%	2,500	0.74
Miscellaneous	5,179	1.54	(396)	-7.6%	4,783	1.42
Subtotal Operating Expenses	688,151	204.81	46,449	6.7%	734,600	218.63
Roof Replacements	110,740	32.96	(44,740)	-40.4%	66,000	19.64
Reserves Lockbox Contribution	90,720	27.00	0	0.0%	90,720	27.00
Total Expenses and Reserves	889,611	264.77	1,709	0.2%	891,320	265.27
Net Profit (Loss)	(0)	(0.00)	0	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	2011
Linda Craig	Vice President	2012
Liz Puma	Treasurer	2011
Pat Ambrose	Secretary	2013
Tom Watkins		2012

Association Manager

Village Realty & Management Services, Inc. (Sandpiper Cay Office)

Contact: Ansley Miller, Assistant Property Manager

Phone: (252) 261-2188

Fax: (252) 261-6018

E-mail: ansleymiller@villagerealtyobx.com

Village Realty & Management Services, Inc. (Main Office)

5301 South Croatan Highway

P.O. Box 1807

Nags Head, NC 27959

Phone: (252) 480-2224

Toll Free: (800) 548-9688

Web site: www.villagerealtyobx.com

Legal Counsel

John D. Leidy, Attorney at Law

Hornthal, Riley, Ellis & Maland, LLP

301 East Main Street

P.O. Box 220

Elizabeth City, NC 27907-0220

www.sandpiper cay.org