

December 1, 2017

2017 FINANCIAL OVERVIEW

This document details the key financial events that occurred during 2017. Also included is a discussion of forecasted project work that warrants consideration.

BUDGET INCREASE

Two primary factors contributed to a higher overall proposed 2018 Budget versus 2017 (\$62,792.94 versus \$56,594.66, or an increase of \$6,198.28 -- 10.95%):

- Addition of Filing 7 Common Area maintenance. The total-care contract is \$2,163.
- Reserves increases from \$2,959 in 2017 to \$7,579 in 2018, or an increase of \$4,620.

Reserves have the largest impact on the 2018 Budget increase. Specific Reserve items contributing to this increase are discussed below.

RESERVES

The total Reserve Account debit expenditures in 2017 were \$6,491.60 and were used for the following purposes:

- Fence for pump and equipment enclosure was \$1,575. This expenditure extended the fencing bordering the pump pit as a safety precaution. The pit is covered by sheet metal which provides unacceptable protection from any weight-bearing load.
- Irrigation Infrastructure Expenses - \$2,222.85, which is broken down as follows:
 - \$360.00 - New Controller Clock at High Tiara Entrance
 - \$1,862.85 - Emergency Large System Pump Motor repairs
- Pond Maintenance - \$1,043.75 - Draining the pond to assess the need to dredge debris creating the clogging to lines and general operational function of the Large Irrigation System.
- Landscape Improvement - \$1,150.00 - Replaced the South Broadway entrance lights.
- Filing 4 Courtyard - \$500 - Transferred to cover the additional expenses that exceeded the budgeted amount of \$6,500.00. NOTE: The Filing 4 Courtyard Reserve line item is being removed in 2018. In its place, the forecast in the Filing 4 Courtyard budget has been increased from \$6,500 to \$7,200.00. This increase is based on the average overrun the past two years.

In Summary, as the numbers reflect, simply replenishing the reserve expenditures in 2017 (\$6,491.0) account for more than the budget increase in 2018 (\$6,198.28).

MANAGEMENT COMPANY

October 18, 2017 a termination agreement was executed ending the contract with the Western Slope HOA Management Company. The starting date of this contract was April 1, 2017. This termination was by mutually agreement. There was nothing specific leading to this outcome. Both parties were having a difficult time meeting expectations and achieving the desired results based on the cost of the contract.

Allocation of the Special Assessment money collected (\$5,400) for the Management Company is as follows:

\$3,948.38 was distributed to the management company for the months the contract was in effect leaving \$1,451.62 remaining of the original budget. Of this residual amount, \$750 was used for the website development and the first-year subscription costs of \$226.00. The \$475.62 remaining reduces 2018 assessments on a pro rata basis.

ACCOUNTING

On October 27, 2017 a "Letter of Engagement" was executed with Accounting firm Grieser / Bussey / Kaper, CPA's. The financial details are as follows:

- Annual Cost Estimate = \$2,500.

NOTE: This estimate is expected to be the high end of what the services will end up costing. This figure was established after detailed discussions of services we need and those the accounting firm can provide.

- Our primary contact person will enter invoices in Quick Books, conduct ongoing reconciliation of our financial reports, assist in preparing financial reports and mail and keep an accounting of annual assessment collections. The Board will collect and deposit the funds and make all invoice payments. The firm will not handle funds, write checks, or have access to bank accounts. In general, only bookkeeping duties will be performed at an hourly rate is \$72.00.
- Our CPA, will continue to be responsible for all HOA tax issues and filings. This hourly rate is \$187.00. Other than tax return preparation (\$225), the CPA is not expected to have any routine function.

NOTE: Moving from the Management Company to the Accounting Office will save the HOA at least \$4,700 annually (\$7,200 - \$2,500 = \$4,700). The remaining tasks performed by the Management Company will be performed by the Board.

NEW HOA WEBSITE

The Association now operates its own website. The HOA now has full control of the Domain name (seasonshoa.com), using the Weebly platform, and administration. The development costs were \$750.00. The annual maintenance cost will be \$500 or less. This initial expenditure

was covered by the unused portion of the budget set aside for the management company. (See above.)

RECLASSIFICATION OF TWO EXPENDITURES

- **Water Shares**

Water Shares expenditures have been moved from the Large and Small Irrigation System categories, respectively, to the Operational category. The justification is the recognition that the Water Shares are an HOA asset. They were originally purchased using general Association funds, i.e., every property owner paid equally for the shares. If sold, the proceeds would be distributed to all property holders on a pro rata basis. Accordingly, the annual fee to maintain ownership of the shares should be the part of the general Membership responsibility.

- **Pond Maintenance**

This annual cost for pond maintenance has been moved from the Large Irrigation System category to the Operational category. The justification is that the Pond is located on the HOA Common Area and serves two functions in addition to serving as a reserve source for all irrigation. The pond fountain provides aesthetics in the Common Area as well as aeration to control algae growth.

FILING 4 COURTYARD:

Filing 4 Courtyard exceeded the 2017 budgeted amount by \$510.13. The overrun was caused by irrigation non-routine work billed separately on a Time and Material basis. To cover the overrun, \$500 was used from the Filing 4 Courtyard Reserve. This account had been funded by Courtyard 4 residents. The remaining \$10.13 was absorbed by the \$6,500 in assessments collected from Courtyard properties, which contained a buffer of \$37.60.

FUTURE PROJECT WORK

Project work falls into two categories:

- Projects that are part of ongoing routine maintenance that requires attention on a three (3) to five (5) year cycle.
- Projects that are modifications, upgrades or enhancements to existing assets designed to fix problems, improve efficiency and ensure the functionality of the original intent or design, now and into the future.

2018 POSSIBLE PROJECTS

- **Fence Painting and Maintenance**

The wooden fencing along South Broadway and bordering Seasons Drive requires maintenance and paint. The plan is to separate the Project into stages. For the 2018 budget year, \$2,000 for fence maintenance and \$5,000 for painting is available. Additional allocations will be required the future.

- **Large Irrigation System: Two Projects the Board Recommends**

- Installation of discharge gates would create a way to eliminate pumping dirty water from the spin filters back into the pond, where it gets recycled back into the intake system. The gates would help with the quality of water by cleaning the holding vault before the water reaches the pump and filters. This is a cost effective means possibly to reduce ongoing clogging issues reducing maintenance cost to continually clean filters. (Cost - \$5,000.00)
- Installation of two Isolation Valves at the pump pit location. Installation of the valves would alleviate the problem of shutting down the entire system should an infrastructure problem occur on a single side of the system. (Proposed Cost - \$750.00)

FUTURE PROJECTS

- **Tree Groves at the South Broadway Entrance and Berm 4.**

The trees on the Common Area have reached a maturity point where they are beginning to become crowded and overgrown. Some trees are competing with others fighting for enough nutrient to sustain growth. The proposed solution would be some thinning of the grove by cutting down two trees at the entrance and potentially one on Berm 4, assuming it doesn't respond to fertilizing efforts. The immediate Plan for 2018 is to monitor the Common Area and address any problems on an as-needed basis. The Budget includes \$2,000 for common area landscape maintenance and some of this money could be used for this purpose. Trimming limbs could be a temporary solution. However, future funding will need be accrued to ultimately correct the problem of overgrowth and age.

- **Large Irrigation System Maintenance**

A need exists for maintenance in this system to ensure the delivery of water to users and the common Area. The proposed cost to do all the work bringing the entire System to an optimal operating level, including the two projects under review in 2018, is close to \$30,000. The largest of these projects is discussed below:

- Draining the pond at the beginning of the 2017 irrigation season revealed the serious condition of the pond. The pond has collected a significant amount of debris and sludge to a point remedial action must be taken soon. One solution

would be to slurring the debris and haul it away. The estimate for this action is \$20,000. However, even with this expenditure, problems remain.

- The rubberized material that currently lines the pond is deteriorating and has been patched numerous times. An alternative to slurring is to excavate the entire pond along with removing the 20+ year-old liner. Instead of replacing the liner, the pond would be lined with Bentonite, which is now the industry standard for irrigation ponds. This approach would ensure the pond function is for the foreseeable future. (Minimum Estimated Cost - \$25,000.00)

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