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Condominium Owners' Association
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Tucson, AZ 85712
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2018 Financial Report

1.) We did it again – $107,000.00

2018 ended $107,000.00 over budget for revenue. Our budget for dues to collect is $505,000.00. Again this year, one more time, we surpassed that number. We collected a grand total of $612,000.00 in reimbursements.

This total includes the $18,000.00 that was in transit at year end 2017. Your Association was awarded its fees and costs of $12,000.00 in a foreclosure action on Unit 237. The Sheriff's sale to satisfy the debt owed to your Association was held in December. The new buyer promptly paid. However, it took almost two months for the check to be processed through Pima County. It was received in February of 2018. Likewise, an overseas owner initiated an international wire of $6,000.00 in funds to the Association before year end that did not clear Treasury, and arrive in our account, until 2018. Since we are on a cash basis, even though legally these funds were ours, they had not become cash-in-hand yet. Therefore this information was a footnote to the financials explaining why these funds would not be recognized as income until 2018. We also received a $7,000.00 payment on the secured note.

The non-dues income includes the money collected from our members via the laundry rooms, and the transfer fees collected at escrow. (Typically these fees are kept as compensation by outside property management companies. Since we became self managed, these reimbursements have gone directly into the Association instead – to benefit all of us through improvements to our property.)

Once again, our dues money covered our shared expenses for maintaining our shared property, and we did not need to increase dues. We were able to rebuild our Reserves with the money that was ours, but delayed in transit as noted above. Every year, our costs increase, especially for utilities. Every year we look for ways to improve and save money. Once again, we managed to off-set the inevitable increases with creative savings. To manage our money in ways that let us continually improve our property is one of the primary objectives of your Board.

2.) 80% Owner Occupied

In 2002 we were 51% owner occupied, teetering on the edge of not being able to get financing for our units. During the real estate crash of 2007, we saw our properties loose 80% of their value as investors defaulted on their responsibilities. (Very few of our foreclosures were owner occupied.) As we looked at similar communities that did not allow rentals, we saw they had lost very little of their value. So in 2010 we passed a restriction that when units changed hands, they could only be owner occupied.

As we open 2019, we are now 80% owner occupied. That plus our solid black financials have kept financing always an option. This expands the potential market of buyers, and we have seen our prices steadily rise. The New Buyer Approval requirement that we implemented that same time has brought us new neighbors and friends who can honor their obligations to our community. Because, ultimately our owners are our Community and our biggest asset.

3.) 2018 Projects

The big project this year was the replacement of the salt-based softening system with new technology to filter our hot water and prevent scale to our boilers, plumbing and fixtures. The cost for three systems, one for each boiler, is a total of just under $45,000.00. The monthly payments are about the same as what we were paying Culligan. After three years, we will own our equipment, with no maintenance cost, and then save the amount of approximately $15,000.00 per year. (A total of as much as $100,000.00 in savings over the following seven years.) No maintenance, less scale, no salt. And as we perform preventative maintenance on our boilers and tanks – we can see that it is working.

2018 was year of rebuilding. We were cleaning up the last of the financial damage caused by the loan crisis. We rebuilt our Reserves. We are building our inventory of spare parts for plumbing, sewer, boilers and washing machines. Working with the Federal Hot Spot program we worked at getting rid of the criminals that are the source of crime. As 2018 came to a close we were preparing the financials, enjoying the peace, and looking forward to some very deserved time holiday time off. Spoiler alert – that didn't happen.

Early morning December 30, 2018 the sound of sirens crashed the peace. The phone rang. We had a fire. Our neighbors saved each other. Our fire department's quick response saved our buildings. Fortunately, the Association security cameras caught the owner of the unit where the fire started. He was arrested for arson later that day, and subsequently indicted. Our insurance company and contractor stepped up so the Association could begin mitigation of damages on a holiday weekend.

4.) Financial Statements

2018 Income Statement

Income:		
Dues		$573,000.00
Fees & Reimbursements		$ 39,000.00
Total		$612,000.00
Expense:		
Administrative & Legal	$ 18,000.00	
Insurance	$ 78,000.00	
Common Area Facilities	$ 69,000.00	
Utilities	$ 171,000.00	
Common Area Maintenance	$ 179,000.00	
Common Area Projects	$ 56,000.00	
Total		$571,000.00
Reserve:		
Reserve	$ 28,000.00	
Structural Improvements	$ 13,000.00	
Total		$ 41,000.00
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Net Income:		**$ 1,000.00**

2018 Balance Sheet

Assets:		Liabilities:	
Cash on Hand	$ 1,000.00	Liabilities (loan)**	$ 45,000.00
Reserves	$ 80,000.00	Owner's Equity	$ 88,000.00
Equipment *	$ 45,000.00		
Secured Note	$ 7,000.00		
Total Assets	**$133,000.00**	**Total**	**$133,000.00**

*Note: Laundry machines are now fully depreciated. **Note: Represents $45,000.00 purchase of scale solver water treatment system. Straight line depreciation over 60 months.

This Compilation was prepared by the Managing Agent in accordance with the requirements stated in the Arizona Revised Statutes. The books of the Association are maintained on a cash basis. These statements fairly state the condition of the entity consistent with generally accepted accounting principles.

5.) 2018 Management Analysis

Infinite needs – finite resources. Our Association budget is just like our individual household budgets. We spend money on utilities, insurance, repairs, savings, and then improvements to make our property look nice. Just like at home, we can think of ten ways to spend every dollar. But we can only spend each dollar once. As we look at how we make decisions about caring for our property, balancing the many demands on our resources, we look at these decisions much like we look at our budgets as individual homeowners.

Totals by budget category are divided by 250 homes to get the average amount per owner/per year, and then by 12 months to get the average per owner/per month. This includes the amount paid by dues, and supplemented with fees and non-dues reimbursements.

Here is how the 2018 expenses were spent per average homeowner:

	Ave. per Month	Ave. per Year
1.) General and Administrative (Includes newsletters, compliance and collections)	**$ 6.00**	**$ 72.00**
2.) Insurance (Includes blanket hazard insurance, D&O)	**$ 26.00**	**$ 312.00**
3.) Common Area Facilities (Includes pools, pest control, boilers and softeners)	**$ 23.00**	**$ 276.00**
4.) Utilities (Southwest Gas, TEP, Trash, Water & Sewer)	**$ 57.00**	**$ 684.00**
5.) Common Area Maintenance (Includes staff and materials for landscaping, laundries, plumbing, fascia, fencing, roof coating and painting.)	**$ 60.00**	**$ 716.00**
6.) Common Area Projects (Includes staff and materials for sewer line and water line replacement, toilet replacement program.)	**$ 19.00**	**$ 224.00**
7.) Reserve & Projects	**$ 14.00**	**$ 164.00**
TOTAL AVERAGE	**$205.00**	**$2,448.00**