

Las Colinas

Condominium Owner's Association

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2013 Financial Report

1.) Another Year in the Black – \$29,000.00

2013 ended \$29,000.00 over budget for revenue again! This is one of the ways we avoided a dues increase for the seventh straight year. Our budget for revenue to collect is \$525,500.00. Again this year we surpassed that number. We collected an additional \$29,000.00, for \$554,500.00 in reimbursements and fees. This is how in these very difficult economic times, Las Colinas remains in the black year after year.

This was a big year for Reserve Projects - upgrades to the Common Area and infrastructure. The "extra" \$29,000.00 joined our annual budgeted amount and money we had accrued in the Reserve to spend \$60,000.00 to replace the Association's washers and dryers as the contract with the outside vendor expired. Purchasing our own machines allows us to keep all of the reimbursements for our private laundry rooms – rather than have all the expense, with only half of the revenues. In addition, we purchased the most water and energy efficient Maytags. Given that water/sewer is our largest bill – this has been significant.

In addition, we spent \$20,000.00 to completely re-do our three laundry rooms upgrading the electrical, gas, water, and sewer lines to the current code and replacing the swamp coolers with A/C & heating units. To protect this asset, we installed a security system, and upgraded the Common Area doors. We replaced Common Area windows with beautiful new Energy Star ones.

Finally, the stars aligned and we found the set of new products we needed to upgrade our 90 staircases and landings. Water was seeping into cracks causing rust, separation, and damage to the structure. We now have the products that will let us seal the steel, concrete, wood, and stucco as they connect with each other, and coat them, to prevent water damage. Not only do we have a way of protecting this important structural component, but the re-done stair cases have gone from looking dilapidated, to looking incredible. We used the same set of products to paint our now 40 year old mailboxes to look better than new. Again, for a small fraction of what it would have cost to replace them.

2.) The Capstone Year

2013 was a pivotal year for our Community. Built in 1973, this is the year we turned 40. Ten years ago, this Community looked to the future and asked how do we position ourselves for the next 50 years? How do we become sustainable? Our challenges required a serious commitment of management time with financial, legal, and construction skills far beyond the capabilities of an outside management company. The Board of 2003 made the transition to self management, and we made tremendous progress in this decade.

Here is a list of the major projects we accomplished in this ten-year period to upgrade our 30 year old infrastructure, using products and methods designed to improve our Community and ensure it lasts for decades to come:

1.) Starting in 2004 we replaced half of the 32 flat roofs on the property, installed aluminum siding, replaced fascia; and put our roofs on a program of preventative maintenance, repair and replacement. 2.) Cheap brown shingles were upgraded to blue 40-year architectural shingles. 3.) We replaced the three 30 year old boilers for the property with new state-of-the-art energy efficient ones, reducing our \$7,000.00/month gas bills by 2/3rds. 4.) We upgraded and expanded the common area lighting with high efficiency lights, improving appearance, safety, and security. 5.) We replaced common area electrical boxes, and hundreds of feet of electrical lines. 6.) The crumbling irrigation system was replaced, and efficient timer systems installed. 7.) Dead plants were replaced with water-smart ones, and our trees put on a program of annual pruning. 8.) Community signs were upgraded using new technology creating eye catching building numbers and maps.

9.) Hundreds of feet of sewer lines were replaced with ABS technology, and clean outs were installed throughout the property. The sewer lines are on a program of maintenance now. 10.) Hundreds of feet of water lines have been replaced, and a softener system installed to prolong the life of our pipes and fittings. 11.) We participated in the City Water Conservation programs including replacing toilets and shower stems to reduce water usage. 12.) To protect the foundations, the drainage was improved property-wide. 13.) The property was put on a regular schedule of termite treatment, inspection, and pest control including regular treatment to control sewer roaches. 14.) We added recycling for our property, and lowered our cost of trash pick-up. 15.) The asphalt in the parking lot was coated to provide UV protection and it was re-stripped. 16.) The property's stucco was inspected and repaired. 17.) The pools were re-furnished - replacing filters, pumps, adding drains, and re-coating the pools and decks.

18.) A Ramada was added for the upper set of mailboxes, and they were all repainted and numbered. 19.) A program of repairing and upgrading the 90 common area staircases and landings was put in place - the first 34 are complete. 20.) The property back-flow was replaced, and is inspected annually. 21.) Steel doors were installed to protect the Association's assets from theft. 22.) Security cameras were added to the common area to reduce crime. 23.) The laundry rooms were completely remodeled and air conditioning replaced swamp-boxes. The gas lines, waterlines, sewer lines, and electrical lines were upgraded as required. New high efficiency Maytag washers and dryers were purchased by the Association to decrease water usage, and increase cashflow. 24.) The Clubhouse was redecorated with a BBQ area added. We also added benches around the property for neighbors to enjoy socializing.

It wasn't just the physical infrastructure that needed upgrading. The Association was blessed with a very well crafted set of governing documents and strong legal counsel. However, our Community has been impacted by National broader socio-economic issues such as the economic downturn, the foreclosure crisis, and drug related crime.

We responded by:

- 1.) Participating in the Pima County Attorney's Crime Free Program
- 2.) Banning rentals for all units purchased after 2/14/2010
- 3.) Requiring Board approval for new owners

Our Community has gone from 51% to 72% owner occupied. The foreclosure crisis had a silver lining, over 90% of our foreclosures were investors. They have been replaced by owners who live here and are committed to our Community. Reducing rentals also reduced crime, which is very important to protecting our most vulnerable members and maintaining a diverse community. Our preventative maintenance programs have significantly reduced claims, earning us our carrier's highest rating with the lowest premiums.

Ten years ago we consulted with a structural engineer, who upon inspection told us, "we have good bones". Our structure is sound. We have a great location, with a core of long term owners, who really do create a Community. This is something worth saving. Ten years of hard work upgrading the both the physical and organizational infrastructure has positioned us for the future. We have families who have made Las Colinas home for three and four generations. We need to make sure Las Colinas will still be standing, and thriving, long after we are gone.

3.) Financial Statements

2013 Income Statement

Income:			
	Dues, Fees, Reimbursements		\$554,500.00
	Transfer from the Reserve for Laundry		\$ 41,000.00
	Loan Proceeds for Laundry Machines		\$ 27,000.00
	Total		\$622,500.00
Expense:			
	General and Administrative	\$ 8,600.00	
	2012 Election Audit	\$ 1,400.00	
	Collection Expense	\$ 1,700.00	
	Insurance	\$ 67,000.00	
	Common Area Facilities	\$ 65,200.00	
	Utilities	\$ 162,000.00	
	Common Area Maintenance	\$ 133,600.00	
	Common Area Projects	\$ 73,000.00	
	Total		\$512,500.00
Reserve:			
	Reserve Expense (Major Projects)		
	Laundry Machines	\$ 60,000.00	
	Laundry Upgrades	\$ 22,000.00	
	Structural Upgrades	\$ 24,500.00	
	Total		\$106,000.00
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Net Income:			\$ 4,000.00

2013 Balance Sheet

Assets:		Liabilities:	
Cash on Hand	\$ 4,000.00	Liabilities (loan)	\$ 26,000.00
Reserves	<u>\$ 37,000.00</u>	Owner's Equity	<u>\$ 69,000.00</u>
Equipment (less dep)*	\$ 54,000.00		
Total Assets	\$ 95,000.00	Total	\$ 95,000.00

*Note: Represents \$60,000.00 purchase of laundry equipment for Association private laundry facilities. Straight line depreciation over 60 months. Loan is the balance owed for the equipment, which generates monthly user fees.

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.

4.) 2013 Management Analysis

The Association's budget is much 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 the foreclosure fees.

Here is how the 2013 expenses were spent per average homeowner:

	<u>Ave. per Month</u>	<u>Ave. per Year</u>
1.) General and Administrative (Includes newsletters, accounting, and compliance)	\$ 4.00	\$ 33.00
2.) Insurance (Includes blanket hazard insurance, D&O, wrks comp & med)	\$ 23.00	\$ 280.00
3.) Common Area Facilities (Includes pools, pest control, boilers, hot water softeners)	\$ 20.00	\$ 240.00
4.) Utilities (Southwest Gas, TEP, Trash, Water & Sewer)	\$ 56.00	\$ 668.00
5.) Common Area Maintenance (Includes staff and materials for sewer line replacements, landscaping, laundries, plumbing, facia, fencing, roof coating and painting.)	\$ 44.00	\$ 535.00
6.) Common Area Projects (Includes staff and materials for sewer line and water line replacement, toilet replacement program.)	\$ 22.00	\$ 268.00
7.) Reserve Projects (Includes staff and materials for 18 new Maytag washers & dryers, infrastructure, re-model, Energy Star windows and steel security doors, 24 staircases & landings upgrade,	\$ 35.00	\$ 424.00
TOTAL AVERAGE	\$204.00	\$2,448.00

5.) 2014 April Balance Sheet Update

2013 was a big year for capital projects. We had planned and saved our laundry money towards the upgrade of our laundry facilities and 40 year-old infrastructure. In addition we had the opportunity to start the upgrade of the Common Area staircases. It was also a year of replacing sewer lines, with ABS and adding clean-outs.

2014 will be a year of rebuilding the reserves, paying off the laundry machines, and continuing the staircase & landings project. We are at 37 complete staircases now, and will continue progress again this fall. We are looking forward to many painting projects as the year unfolds.

April 15, 2014 Balance Sheet

Assets:		Liabilities:	
Cash on Hand	\$ 12,000.00	Liabilites (loan)	\$ 26,000.00
Reserves	<u>\$ 57,000.00</u>	Owner's Equity	<u>\$ 93,000.00</u>
Equipment (less dep)*	\$ 50,000.00		
Total Assets	\$119,000.00	Total	\$119,000.00

*Note: Represents \$60,000.00 purchase of laundry equipment for Association private laundry facilities. Straight line depreciation over 60 months. Loan is the balance owed for the equipment.