

## Financial Report by Dennis Bierschbach:

1. The operating statement for 2019 could result in total income exceeding expenses by approximately \$2,000 vs the budgeted breakeven amount. This amount will vary, depending if the cost of snow events requiring clearing during October, November and December varies from an estimated cost of \$5,500 (we had two such events at the end of October).
2. Major variances of more than \$1,000 that contribute to this net potential budget benefit comprise of favorable variances of an estimated \$5,000 in legal and professional, \$3,500 in sprinkler repairs and \$1,700 in tree pruning and care; which were offset by unfavorable variances of \$4,900 in snow removal, \$1,900 in the landscape contract and \$1,700 in water usage.
3. Replacement costs included three permanent landscape upgrades in highly visible areas at a total cost of \$2,710 and concrete work totaling \$21,000. The total of these replacement projects was \$23,710 compared to the \$15,000 budgeted, resulting in an unfavorable variance of \$7,628 compared to the budget. The amount spent was \$3,428 more than the \$19,200 that was transferred to the reserves along with interest income of \$1,082 earned on the reserve balances during the year.
4. The expected net Operating Surplus of approximately \$2,000, if it materializes, will be transferred to the reserves which would yield a reserve balance of between \$66,000 and \$67,000 at the end of 2019 compared to \$67,951 at the end of 2018.
5. The budget for 2020 was prepared taking into account historical operating expenses as well as attempting to anticipate areas where funds need to be expended. The Operating Budget for 2020 anticipates increases in snow removal, water and landscape contract costs compared to those budgeted for 2019. Snow removal at 17% (\$16,000) of the operating budget is the large variable, and if it isn't needed after the winter has passed, a portion of the savings could be considered for additional landscaping and tree trimming if there is a need (or transferred to the reserves if it were to produce an operating surplus).
6. The budget with an increase of \$10 (3%) in the monthly assessment for 2020 contemplates a balanced Operating statement, with \$2,160 of the \$3,360 total increase utilized here. The funding for the Reserve Account will be \$20,400 an increase of \$1,200 over the amount for 2019 with spending from the Reserves budgeted at \$17,000 anticipating that \$3,400 could be added to the Reserves.
7. The Reserve balances at the end of 2018 and 2019 were and will be at approximately 45% and 52% respectively of the amounts calculated in the 2018 Reserve Study. The level of funding over the last two years has averaged about 66% of the amount suggested in the study and is at the lower end of the range that most Associations achieve in order to attempt to avoid extravagant "special" demands on the homeowners (for 2020 the funding will be at 70% of the amount suggested). The 25 year age of Saxony and the ongoing needs for replacements and major Capital Repairs dictates that contributions to the Reserves need to be increased somewhat each year. Colorado law dictates that Reserves are maintained and the periodic Reserve Studies give Associations the guidance as to the levels that should be maintained.