



Fairways of Sherrill Park

P.O. Box 830341
Richardson, Texas
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Treasurer Report – 2019 Annual Meeting

Committee Name: Finance Committee

Committee Chair: Kevin Balsley

Committee members: John Fritsche, Brad Wagoner, Lynn Livingston

Report Date: February 10, 2019

FOSP Financial Statements

- Not going to go into great detail for the 2018 financial statements and budget that you have in the packet. (Slide) Three headlines I want to point out on the Balance Sheet:

I. For 2018, we ended up having net income of over \$22K.

II. In May, after finalizing the Reserve Study that was conducted early last year, we set up the initial funding for a maintenance/repairs/replacement reserve by carving out \$35K from retained earnings. This \$35K was primarily pegged to cover the replacement of the dead plants and the fencing that has declined along Jupiter where the volley ball court is located.

III. After carving out the \$35K reserve --- which you see in the middle column --- the remaining retained earnings at the end of 2018 is still over \$37K. The 2018 net income of over \$22K will be included in retained earnings for 2019 --- so we now have roughly \$60K in retained earnings beginning this year. The Board will be discussing how to manage the retained earnings including what amount should be made available for beautification improvements and other capital type projects.

- I believe that these capital expenditures are important as it underscores the primary purpose of why this HOA and any other HOA exists --- and that is to not only maintain property values, but also enhance property values. For our HOA, improving property values is done by not only protecting the character and integrity of the neighborhood, but also engaging in projects that beautifies the neighborhood.
- (Slide) Income Statement is 2 pages --- The \$22K of net income is favorable to the budgeted net income of zero. We are organized as a Not-for-Profit which simply means that profit is not our motive and is why we budget zero net income. Highly unusual if we hit the budget of zero in a year, consequently we will end up with either a net income or net loss.



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- Larger items contributing to the \$22K favorability were:

Line 5107 Social Committee/Community Events --- \$2,900 F (Barb Claycomb NNO)

Lines 5250 - 5252 Insurance premiums --- \$4,500 F (Changed insurance carriers)

Lines 5601 – 5650 Landscaping accounts --- \$7,000 F (Manders Contract Exit)

Line 6001 – Contingency Fund --- \$4,000 F

Line 5305 – Water Expense --- \$200F

- (Slide) A reserve account was set up during the year to track what goes in and out of the maintenance reserve. We may need to tweak this reserve account to make sure we have the information reported appropriately to manage the maintenance activity as it increases.
- Water expense – (Slide). Usually the second highest expense that we experience. Can be difficult to estimate for the obvious reasons of weather, imposed water restrictions, and maintaining our irrigation system. While we can control consumption --- we don't control the water rates charged by the City – which have increased dramatically – first column. For 2018 we paid over 90% more for water compared to 2011. With another 9.50% increase for this year, we (all of us actually) are now paying over double what we paid in 2011 for water. Comparing 2011- 2018, we decreased consumption of water by over 40% while water expense bill actually rose by over 10%).
- Next (Slide). 2019 Budget. What you see here is the 2019 Budget which was included with the Dues Assessment that was sent out in late November. This Budget sets the necessary Dues at a level to fully cover normal and reasonably expected operating expenses for the year --- as well as a contribution to the maintenance reserve that we set.
- Line 4100 – Dues Assessment of \$117,000 is simply the 280 homeowners multiplied by the dues amount. Dues were increased by 5% from \$400 to \$420 to help cover the 2019 contribution to the maintenance reserve in Line 6000.
- Line 6000 is a new line item for the annual contribution to the maintenance reserve. In addition to the 5% increase in dues, which added \$5,600 in revenue, we reclassified certain maintenance expense accounts in the previous operating budgets to make up the \$10K amount you see as the reserve contribution.
- Line 5305 - Budget for water expense we upped to \$21K. Wanted to hedge our bets a little more this year with the increase in rates and probable additional watering and irrigation for new shrubs, especially in the volley ball area.
- So, that's all I have as far as comments on the financial statements