

## TREASURERS REPORT FOR YEAR ENDING 31 DECEMBER 2017 and 2018 BUDGET

The board undertook an extremely assertive process midway through 2017 in an attempt to resolve once and for all, those members who are in significant arrears to the Association, to either bring these accounts current, or to move them out of our Current Accounts Receivable (A/R). This process involved the entire board, however, it was significantly lead by Dan Kralik. After initial conversations with all members owing the Association, the board made a decision to offer a one-time opportunity to those not receiving water services to pay-off ½ of their outstanding debt and have the other ½ cancelled. We believed after the discussion during the 2017 AGM that this process was an important one, and that we needed, to our best ability to resolve this matter so that we clearly knew, who wanted to continue to participate and be a member of our Association and who did not. We also had a number of members in arrears that were receiving water services. We also spoke to each of these and informed them that the Board would be implementing section 8.7.4 of the by-laws if they did not bring there account current. Of the 20 members approached, ½ of these chose to participate and bring their accounts current.

The research and process involved was very time consuming. The Board wants to recognize and thank Dan Kralik for the hours/days he took not only on the phone and email, but also meeting with members from out of country when they visited to work on this matter on behalf of our association. Due to his diligence on this task, the association is in a much-improved position going forward.

Total assessments/dues for 2018 are proposed to be \$3,150, or \$900 **less** than those approved for 2017.

In the area of **Water Operations**, due to the resignation of Tony in May, though Mike agreed to continue in the role, Mikes personal schedule occupied the majority of his time. These situations along with Barneys resignation in July made it an extremely challenging year, especially in banking and signature matters.

The amount expended for Con Aqua Tariff does not include the 1<sup>st</sup>-3<sup>rd</sup> quarters for 2017. Though Mike had felt he with Barney paid the 1<sup>st</sup> quarter tariffs and reported so to the board, research in January of 2018 indicated this was not so. The expense appearing here was for the 2016 4<sup>th</sup> Quarter (as was expected) and for the fee's related to the Well Concession renewal fee's and costs. These renewal fee's/costs were not included in the 2016 Budget. Discussions have been underway since late November with ConAqua to rerun all of the outstanding invoices and get these paid as soon as possible. The amount outstanding for quarters 1-3 is approximately \$60,000. As you can see, the Budget was very close to what would have been expected just for the ConAqua tariffs, had they been paid. This is why, for 2018 we are confident that the budget for the tariffs is adequate for 4 quarters. The issue is that we have all of 2017 to pay and those in 2018. Funds not expended from 2017 (Carryover) will be used to offset the expenditures related to the 2017 ConAqua tariffs.

We collected more in revenue than budgeted. However, this was again due to members who going into 2017 were not current on their Water account and brought their account current. The tiered water rates were not adjusted during 2017.

Though we spent less than budgeted in 2017 and less than in 2016 for Electric-CFE, this was solely due to the fact that normally, the invoices received in December are paid and recorded in December. However, this did not occur this past year. Thus the real cost for 2017 is slightly understated, and may result in a slightly higher expenditure in this category in 2018 due to the 2017 December bills not being paid until 2018.

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Approximately \$30,000 more was spent in repair and maintenance this past year in comparison to 2016. For more information on the repair and maintenance issues with our water delivery system infrastructure, please see the Water Commissioners report.

Included in the proposed budget for the coming year is a line item for Technician Services. This is not a new line item, however in years past, the association has not focused its attention on moving forward with this critical element of our operations. The Board believes we must in 2018 attempt to define services, and attempt to locate firms and/or contractors that can take over the extremely time consuming details involved in the ongoing repair and maintenance of our water system infrastructure. The purpose of doing so is to then allow the Water Commissioner to approve and oversee this work rather than having to spend countless days researching for laborers and sub-contractors and sourcing suppliers for parts and running around buying these materials. The board would like to interview and select a firm/contractor during the later part of 2018 and fully implement this service in 2019. It is the intent that it would then be the Water Commissioners responsibility to hold the contractor accountable for their timely repair and maintenance services and to assist as required in the process of projects.

In the area of **Administration Operations**, we collected more revenue than we had budgeted. This was mainly due to the delinquent account collections process mentioned at the start of this report.

The amount expended for Accounting Services does not include the total costs to close out 2017 with our prior accountant and transition to our new certified public accountant firm. However, these potential costs have been included in the budget for 2018. During 2017 we continued our search for a new and improved accounting service provider. We are pleased to report that we have engaged Jaime Nicolas Padilla Ramos and his firm located in Chapala, for 2018. The Board is extremely hopeful and confident that the services received going forward will far exceed those we had been receiving from the previous accountant. These new services already saved our association in excess of \$100,000 of potential costs as noted in the Presidents report.

One area that was explained in much more detail in the Presidents report was dealing with the translation and procotilization of our 2017 minutes and new by-laws. And I will not attempt to duplicate that communication here. However, because of the delay in both translation and procotilization, these costs are not included in the 2017 expenditures for Annual General Meeting, and will occur in 2018. Funds not expended from 2017 (Carryover) will be used to offset the expenditures related to the 2017 translation and procotilization.

During the past few years it has become clearly evident that we must avail ourselves of the services of an administrator. The more we reviewed what other smaller associations do in running the day-to-day operations, we realized that we cannot continue to operate on the backs of volunteers who have been required to give way beyond what should be expected of a volunteer when they choose to serve on the Board of Directors. Again, as eloquently stated by a previous Comisario (included in the Presidents Report), and echoed by our current-Tom Mills in his report, we executed a process this year to define our service requirements and select a part-time administrator that will assist the Board in running our operations and interfacing with all of the Local, State and Federal Agencies, and financial institutions. The cost for this monthly service is \$3,500 a month plus IVA. And again, due to the advice and the services already received in conjunction with our new accountant, has resulted in a potential cost avoidance in excess of \$100,000.

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Expenditures for Legal were significantly less in 2017 than 2016, and less than budget. We do believe it is prudent to maintain an ongoing relationship with our attorney, and as such to continue to budget for the need for potential Legal services.

The Administration Operations assessment for 2018 is \$3,150 to generate \$167,000.

As for **Capital Improvements**, as you will recall, during 2016, because we did not have a capital improvement project, we utilized this operational category to record the activities related to the paying off the huge historical tariff debt the Association had with ConAqua. The major expenditure in this operational category (\$249,203) was to repay any funds from the loans that were received during 2016 related to this activity that was finalized in 2016.

We struggled for the majority of the year to collect sufficient funds from the 2017 assessment to begin the project. Thanks to both Carryover from 2016 and efforts to collect overdue accounts, late in the year we were able to begin with the La Calma Norte water line extension project approved by members at our 2017 AGM. For more information on this project, please refer to the 2017 Water Commissioners Report.

Because a majority of the La Calma Norte water line extension project is to be finished in 2018, we have proposed rolling over the budget approved by the members in 2017 into 2018. There is no assessment for 2018 for this, as it was assessed in 2017, and along with prior year carryover, we believe we have sufficient funds to complete this project in 2018.

Ray Miller assisted Mike Jones in writing this report.