

TREASURER'S REPORT
WORMAN'S MILL COMMUNITY CONSERVANCY
for the
YEAR 2009

This report is for the Worman's Mill Conservancy fiscal year 2009 and is based upon the unaudited financial reports of the Conservancy. The assessments that each homeowner pays represents a stream of revenue to the Worman's Mill Conservancy. That revenue stream is subdivided into ones for Operating Funds, Reserve Funds and a Capital Improvement Fund.

There are two sectors of operations: cluster operations and general operations not relating to any single cluster but to Worman's Mill as a whole. For example, included in general operations are the Clubhouse and taxes. There are seven clusters. Condominiums are not included in the fiscal package of clusters, but are part of general operations.

OPERATING FUNDS

The operating funds available in any given year are derived from assessments, and, if necessary, from accumulated snow removal contingency funds and operating contingency funds.

When a cluster's expenditure for snow removal is less than budgeted, the difference is put into the cluster's Snow Removal Contingency Fund. This snow contingency fund is capped at the latest annual amount budgeted for snow removal. There is no such fund for General Operations.

When a cluster's operating revenue exceeds its expense in a given fiscal year, the net result after removing any unspent budgeted snow removal funds is divided equally between the cluster's operating contingency fund and its Reserve Fund (see below). A deficit is covered by the cluster's Operating Contingency Fund.

When the General Operations sector sustains a surplus of revenue over expenses, the difference is added to the General Operations Contingency Fund. When a deficit occurs, the General Operations Contingency Fund is called upon. This Fund is capped at \$50,000.

If contingency funds are not sufficient to cover deficits in cluster or general operations, additional assessments for that purpose may be authorized by the Board of Trustees.

The Conservancy as a whole ended the year with a \$95,989 operating deficit. The entirety of this operating deficit can be attributed to the costs of removing snow and ice in 2009. General Operations, Monocacy Estates and Wellington Villas ended the year with an operating surplus. Boulevard Townhomes, Courtyards, Mill Station, Village Green and Palatine ended the year with an operating deficit. Except for the Courtyards, the Snow Contingency and Operating Contingency funds are adequate to cover the operating deficit.

We had two major events, an ice storm in February and a record snowstorm in December that pushed the expenditures significantly over what had been budgeted. The Conservancy as a whole had budgeted \$120,176 for snow removal in 2009. At the beginning of March we had already incurred \$132,824 in snow removal expenses and were over our annual budget by \$12,658. The clusters were not all equally affected. Of the eight clusters, four were still under their annual snow removal budget. Of the remaining four, Courtyards was the cluster that was most severely affected. At the end of February the Courtyards had a snow removal deficit of \$22,525. Although a very large number, Courtyards had a Snow Contingency of \$38,910 to cover this deficit. The table below shows the Snow Removal expenditures, the annual budget, the snow removal surplus or deficit and the Snow Contingency funds for each of the clusters at the end of February 2009.

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TABLE I
FEBRUARY 2009 SNOW REMOVAL IMPACT

CLUSTER	FEB EXPENDITURE	ANNUAL BUDGET	FEB SURPLUS/(DEFICIT)	SNOW CONTINGENCY
General	\$4,336	\$3,500	(\$836)	\$0
Boulevard	\$7,545	\$4,600	(\$2,945)	\$2,451
Courtyard	\$57,525	\$35,000	(\$22,525)	\$38,910
Mill Station	\$11,131	\$8,500	(\$2,631)	\$11,951
Monocacy Estates	\$2,511	\$9,495	\$6,984	\$2,352
Palatine	\$29,380	\$33,996	\$4,616	\$33,996
Village Green	\$7,440	\$8,000	\$560	\$4,618
Wellington Villas	\$12,966	\$17,085	\$4,119	\$17,085
TOTAL	\$132,834	\$120,176	(\$12,658)	

As December began the financial picture regarding snow removal had not changed since the end of February. On December 19th there was a record snowstorm for the month of December and the sixth worst recorded snowstorm for the Frederick area. Snow removal for this storm cost \$113,591. The Conservancy had now incurred annual snow removal charges of \$246,424 against an annual budget of \$120,176 and a Snow Contingency fund of \$111,363. As before the various clusters were not affected equally. The table below shows the budget after the expenses of the December snowstorm.

TABLE 2
DECEMBER 2009 SNOW REMOVAL EXPENSE and 2009 ANNUAL IMPACT

CLUSTER	DEC EXPENDITURE	ANNUAL EXPENDITURE	ANNUAL BUDGET	ANNUAL SURPLUS/(DEFICIT)	SNOW CONTINGENCY
General	\$2,229	\$6,565	\$3,500	(\$3,065)	\$0
Boulevard	\$4,267	\$11,812	\$4,600	(\$7,212)	\$2,451
Courtyard	\$47,023	\$104,548	\$35,000	(\$69,548)	\$38,910
Mill Station	\$10,013	\$21,144	\$8,500	(\$12,644)	\$11,951
Monocacy Estates	\$5,378	\$7,889	\$9,495	\$1,607	\$2,352
Palatine	\$31,029	\$60,409	\$33,996	(\$26,413)	\$33,996
Village Green	\$5,153	\$12,593	\$8,000	(\$4,593)	\$4,618
Wellington Villas	\$8,501	\$21,467	\$17,085	(\$4,382)	\$17,085
TOTAL	\$113,591	\$246,424	\$120,176	(\$126,248)	

Only Monocacy Estates had snow removal expenditures less than the annual budgeted amount. All the other clusters exceeded the annual budget amount. Fortunately, we experience positive variances in Revenue and Other Operating Expenses that either reduced or eliminated altogether the Snow Removal deficits. The table below shows by cluster the actual operating deficit after Revenue and all Operating Expenses are considered. As can be seen, only in the Courtyards are there insufficient Snow Removal Contingency or Operating Contingency funds to cover the deficit.

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TABLE 3
2009 ANNUAL SURPLUS/(DEFICIT) and FUNDS TO COVER

CLUSTER	SURPLUS/(DEFICIT)	SNOW CONTINGENCY	OPERATING CONTINGENCY
General	\$1,936	\$0	\$5,460
Boulevard	(\$6,242)	\$2,451	\$18,295
Courtyard	(\$66,286)	\$38,910	\$3,007
Mill Station	(\$10,895)	\$11,951	\$5,979
Monocacy Estates	\$4,135	\$2,352	\$8,813
Palatine	(\$19,033)	\$33,996	\$11,418
Village Green	(\$1,688)	\$4,618	\$12,273
Wellington Villas	\$2,095	\$17,085	\$15,291
TOTAL	(\$95,989)	\$111,363	\$80,535

RESERVE FUNDS

Unlike the operating funds which are intended to provide for the annual operations of the Conservancy, Reserve Funds are accumulated to meet future needs. The purpose of the Reserve Funds is to provide the financial resources for the replacement of the infrastructure elements such as sidewalks, courtyards and major landscape components.

Every few years a professional Capital Reserve Analysis company is retained by the Board to update the schedule and costs of infrastructure replacements. Assessments are reviewed each year to ensure that the funds are adequate to provide the funds that are anticipated to be required in the ensuing years. Each cluster and the General Conservancy have a Reserve Fund. Each cluster and the General Conservancy have an annual Reserve budget as well as the Operating budget. The budgeted Reserve Fund expenditures are based on the projections of the study. However, if a component that was predicted to be at the end of its useful life is still functional and does not need to be replaced, the replacement is deferred to a later year. The revenue portion of the Reserve budget is not related to the expected expenditures; it is instead based upon the estimates of the study that forecast the funds that need to be accumulated each year to meet future expenses.

Table 4 below shows by cluster the budgeted revenues and expenses, the actual revenues and expenses and the balance of each Reserve Fund at the end of 2009.

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TABLE 4
2009 RESERVE FUND REVENUES, EXPENSES AND BALANCES

CLUSTER	BUDGETED REVENUE	ACTUAL REVENUE	BUDGETED EXPENSES	ACTUAL EXPENSES	END OF YEAR BALANCE
General	\$86,671	\$87,870	\$69,193	\$13,607	\$315,198
Boulevard	\$3,623	\$3,766	\$10,682	\$2,744	\$12,301
Courtyard	\$53,086	\$53,086	\$61,443	\$41,789	\$53,614
Mill Station	\$36,538	\$36,538	\$19,332	\$15,604	\$56,580
Monocacy Estates	\$1,351	\$1,351	\$1,568	\$0	\$6,509
Palatine	\$25,596	\$26,149	\$23,780	\$3,909	\$46,031
Village Green	\$6,583	\$6,583	\$8,044	\$7,776	\$16,267
Wellington Villas	\$5,042	\$5,171	\$11,500	\$502	\$17,592
TOTAL					\$524,093