



2013 Annual Meeting
November 9, 2013

The 2013 Annual Property Owners Meeting was called to order at 9:05 a.m. Board members present were Bill Manion, Fred Miller, Lee Eise, Jim Butler, and Lynn Diggs. Todd Nelson, Nelson Management Co. was present with prepared Financial and Assessment statements. Board members unable to attend were Jim Barnett and Marti Eagan.

Welcome & Introductions POA Board President Bill Manion welcomed the attending property owners to the meeting and expressed appreciation for their attendance and participation in the business of the Association. Bill introduced each Board member and noted their work and efforts through the past year of challenges and financial study. He then further noted that the minimal attendance at the meeting was not a quorum so no votes could be taken. He then read a new Statement of Purpose and Principle of the PCTPOA Board ending with a definition of an Association. He asked that this statement be considered by the Board for placing on the POA website.

Independent Auditors Report Todd Nelson reviewed the Independent Auditors report for the year ended December 31, 2012. He referred to Evers and Co., LLC, CPA's as having a good working relationship with our Association and their understanding of the ongoing efforts to improve our overall financial position. He referred all to page 8 of the report that deals with future major repairs and replacements (reserves). He stated the difference between the total reserve funds and the actual ending cash balance represents "undesignated" cash planned to be used to fund current operations. He noted in the report that it states the amount funded may not be adequate to meet future needs. It was stated then that the Board has been working through the past year to develop new reserve studies and starting procedures to increase the reserve amounts. Fred Miller explained the differences of the study and outlined the work in progress to bring the Reserve Fund to a position of 50% of amount estimated to be required in the future.

Todd Nelson reported that the Audit Report did not present any deficiencies that concern the Board or that require immediate actions. It was further noted that the Association uses a system of controls for financial operations. Bill Manion outlined the double signature by Board members on each check presented and the regular check-off of payments made and balances available for operations. Further statement was made by Todd Nelson regarding the recommendation of the Auditors to limit individual Money Market accounts to \$250,000 per bank. This has now been accomplished. There were no further discussions from Property Owners present and the Audit report was approved.

Financial Reports Todd Nelson reviewed the Balance Sheet for the period ended September 30, 2013. He explained the Liabilities, Revenues, Expenses and Property Owners Equity is broken down by neighborhood. The major item of discussion was the "maintenance assessments receivable". Bill Manion stated that the Board will continue all efforts to maintain the collection policy of record. Discussion from the floor expressed interest in the amounts due and how this affected Association operations. Todd Nelson outlined the complete collection policy and stated that this has been responsible for reducing the Accounts Receivable from previous year reports. Bill Manion interjected that as this has been successful it has also been a major legal expense that could be used for other purposes by all property owners. Lynn Diggs commented on the limited ability of the Association to pursue past due collection across state lines as well as the overall cost and expense of collecting past due account. Both are noted to be detrimental to the overall Association's members. Fred Miller asked if there were any unforeseen expenses coming up in the final quarter of 2013 that off-set the budget projections. Todd Nelson stated none were expected. A property owner commented that the Association's finances looked in sound condition and he was pleased with the efforts being made by the Board.

Review of 2014 Assessment Budgets Todd Nelson reviewed the assessment budget for 2014, by neighborhood. He stated each neighborhood increased in cost per unit. A 5% increase has been made to the overall budgets in order to meet projections and further fund Reserve balances. Todd stated that budgets sent out with the Oct. 1 billings will now be reduced. It was explained that the initial budget for 2014 called for an additional reserve contribution in each neighborhood. However, later work by the Board determined that this addition was not needed as the current planning was meeting the established goal of 50% reserve funding. Discussion then with Property owners was how different line items sometimes can be adjusted to meet needs as they occur through the year. Some line items that were expensed in 2013 were not necessary, such as pest control and snow removal. These funds were then used for operations in different areas with any excess going into the Reserve accounts. Bill Manion outlined that Budgets are maintained by neighborhood and funds cannot be moved from one neighborhood to another to

cover expenses. Should a neighborhood go over budget through the year an assessment will be made to cover the shortfall. However, to date this has not been necessary.

A general discussion and questions reviewed different line items of maintenance within different neighborhoods with interested property owners. Some questions were asked regarding specific requests and were noted by Todd Nelson. A property owner asked if a tree could be removed from the front of his property and the Board gave approval with Jim Butler noting requests such as this should be met so other business can progress. No further questions were raised regarding 2014 Assessment Budgets.

Reserve Study It was noted by Bill Manion that the Board has spent the past year working to determine a financial plan to increase reserves. He thanked Jim Barnett and Todd Nelson for the work they have completed and the efforts being made by all Board members to give time necessary to develop new plans. Fred Miller then explained how the Reserve study is outlined and broken down by line item. Using Villa la Cresta budget as example, Todd Nelson reviewed each item of potential expense for which funds were being reserved, on account. A following discussion from attending property owners developed around the maintenance to each neighborhood and how the Association takes into account the aging of properties into reserve planning. The question was asked by a Villa la Cresta owner of the construction time line of their neighborhood. Todd Nelson stated all units were built within an estimated 2.5 to 3 year time period. Discussion then was on each line item for which reserves were planned for use. Fred Miller outlined the difference between Designated Fund balance and Operational Fund balance. Sterlin Diggs questioned if line items of reserve can be added. Todd Nelson answered that items can be added or subtracted as needs become known as neighborhoods age. Bill Manion interjected that already in discussion was the possibility of switching some areas being reserved into general maintenance if they meet parameters of the budget. Lee Eise outlined that the window issue at Villa la Cresta has been a matter of concern for some time due to known construction defects. It was stated that the developer, Four Seasons Homes, had been repeatedly contacted by the Board, but had stated that all windows were built to specifications. Lee further described the need for more downspouts had been discussed and expensed by the Board. Further discussion opened with Todd Nelson describing how the decision to fund at 50% was developed. Fred Miller stated the basis of the problems of 0% funding and the overbearing cost of 100% funding had been a major discussion within the Board for some time. Todd Nelson further explained the funding lines in the analysis, using the Villa la Cresta budget sheets, showing planning there is just slightly above the 50% line at this time. Bill Manion then stated that all property owners should become aware of the developing equity in each home property by the building of the reserve accounts. He stated that this is a positive that should be shown and discussed with Realtors when a property is being sold. Lynn Diggs stated that this should be noted in a resale to Mortgage lenders as a very positive point. A property owner asks if this information is readily available when a buyer is interested in a property. It was further discussed that the Board and Management of the PCTPOA will make every effort to discuss these matters with buyers for the sellers benefit whenever requested. An example of this was outlined where an actual meeting was held with the representatives of the buyer and seller along with POA Board representation and Nelson Management and Nelson Landscaping. Further, a letter of guarantee of repairs has also been issued on request to answer some of the points of an inspection report by the buyer's agent. Jim Butler stated that Realtors do not take interest or talk about the support and positive assistance that the reserves and maintenance planning provides to the seller and buyer. Property owner Larry Johannesen stated that realtors do not talk about Restrictive Covenants and seem concerned only with the amount of assessments. Property owner Marti Kruckemyer asks if property buyers and owners were legally bound by the Restrictive Covenants. Todd Nelson answered in the affirmative referring to the Covenants and outlines fully shown on the website. It was stated that any and all information on the full use of covenants, Reserves, and assessments will be outlined and explained to realtors or any interested parties upon request of the Management of the POA and/or the Board. Both Mr. Johannesen and Mr. & Mrs. Kruckemeyer thanked the Board for the open information. The statement was then made that she had been unaware of all the items being reserved for and had not known that items outlined would be replaced as needed through Reserve funding. Fred Miller stated that Reserve planning and funding was on-going and would be a continuing part of Board actions and responsibilities.

Villa La Cresta Neighborhood Assessment Todd Nelson explained the reason for the work to be completed on all buildings of the Villa La Cresta neighborhood. He outlined the window problem previously stated by Lee Eise earlier in the meeting. Windows and flashing are not shedding water properly causing moisture buildup behind the dry-vit. The problem was originally noticed in 2009 with notice sent to all property owners that they periodically check window trim and caulking to make sure it is functioning properly. It was recommended at that time that owners contact a recommended stucco contractor to insure windows were not building mold and rot. Caulking was increased as part of regular maintenance functions. With some owners requesting to add decks and sunrooms, it was learned that mold and rot build-up was being found when sidings were removed to complete construction. Inspector & contractor stated that the problem had probably been going on since initial construction. The Board considered further actions with caulking contractors, but along with increase cost, the contractor stated the problem was still building. It was decided by the Board to contract with Lake Stucco Inspections, Mr. Pete High, for all buildings. Inspections were completed and reports made on each unit. Following difficult considerations on how to fund work, two bids were of 1. \$132,000 and 2. \$97,120 were made. The lower bid by Crosshair Stucco & Repair was accepted. It was further decided that it would be necessary to assess property owners as Reserves were not designated for Dry-vit repair and replacement due to original construction. Use of Reserves without assessment would require replacement of Reserve amounts to the required 50% level. Assessment of equal division was later voted to be changed differences of patio and two story units. At this time work on 10 of 34 units have been completed. Damage to interior from water and mold will be the responsibility of the property owner. Sterlin Diggs spoke to the shortage of downspouts on units, a problem that is before the Board with actions being taken. Question from the

floor regarding the responsibility of the developer – builder, Four Seasons Homes (FSH), was discussed. Bill Manion spoke to the efforts that have been made in the past to gain the assistance of FSH has met with very limited or NO. In this matter they stated all buildings were built to specification. It was decided by the Board that continued legal efforts for remediation would be very costly to the Association and provide limited or no relief. M. Kruckemyer ask if all units cost would be borne by the property owner with Todd Nelson replying in the affirmative. Bill Manion stated that from discussion with the contractor and inspector, it was apparent that had these efforts and repairs not been completed the damage would have continued and required more and major costs in the future. Fred Miller stated that sellers should legally disclose the problems of this nature to buyers, but note now that repairs have been made and problems corrected. Jim Butler told of like problems with his property at Bello Point. Todd Nelson stated that this issue now must be followed up with all neighborhoods and corrective actions taken. Bill Manion stated the same problems were being found at Magnolia Point, which is not in our Association. Lee Eise stated that a different caulk, recommended by Pete High should be used in the future. Although more expensive, as reported, this caulk would do a better job and save costs in the long run. Todd Nelson is to discuss the change with caulking contractor.

Exterior Maintenance (Legal Clarification) Todd Nelson stated that Association policy is in event of exterior problems causing interior damage it is the responsibility of the Association to repair the exterior. The interior repair is the responsibility of the property owner. Bill Manion reported that legal clarifications had been completed through meetings with and correspondence with the Association's attorney of record. The concern was the definition of responsibility for repair to interior problems caused by original construction as well as on-going problems. The Board policy will be maintained.

Snow Removal Policy The snow removal policy will continue. Property owners living full time in their residences will have snow removed if snowfall amount to 2" or more. Part-time residences can call POA Management to have their units cleared of snow if they are coming to their neighborhood. Lee Eise stated the previous cost of clearing all drives & walks was not in the best interest of the Association so the current Snow Removal Policy was initiated and will continue in effect.

Discussion & Questions from the Floor Bill Manion opened the meeting to questions and discussion from the floor. Alan Kruckemyer questioned roof inspection and was not aware that all property roofs are inspected twice a year by an experienced roofing contractor. Repairs are made as found and needed with maintenance scheduled. Marti Kruckemyer ask about dry-vit inspections. The Board in the last year has had all units dry-vit inspected for cracks, chipping, and woodpecker damage with repair completed as needed. Todd Nelson spoke to the question of inspections, stating if any property owners ask for inspections of any kind on exterior, he will get correct person to come and inspect.

Deck additions were discussed. Deck additions will be approved by the Board upon presentation of a proper set of construction plans. However, the matter of responsibility of upkeep of deck additions remains before the Board.

Tony Powlaski noted that as a contractor he knows that collars on roof piping dry-out and can cause roof leaks, becoming defective within 6 to 7 years. Todd Nelson stated he would have this looked into with the roofing contractor doing inspections.

As there were no other questions to come before the Board, Bill Manion thanked those attending the meeting. He stated it is very much appreciated that property owners are interested and take time and effort to attend and work with the Board. He further stated his appreciation to all Board members for the time and effort they give to the Association and to all the members. This appreciation was further expressed by those attending the meeting.

As there was no other business to come before the Association, the meeting was adjourned at 11:05 a.m.

Respectfully submitted, For the Board

Bill Manion