



Porto Cima Townhome Property Owners Association
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**Porto Cima Townhouse Property Owners Association
Annual Meeting
November 7, 2015**

Bill Manion called the meeting to order at 9:05 a.m. Board members present were Bill Manion, Jim Barnett, Lynn Diggs, Lee Eise, Marti Eagan, Fred Miller. Also in attendance were; Todd Nelson from Nelson Management Company and residents; Elaine Manion from Bello Point; Walter and Marge Thompson and Karen Osbourne from Via Bacino; Mike and Jan Fiester from Villa LaCresta; Bill McHugh from Avilla; and Tom and Mary Waterhouse from 10th Green.

Welcome and Introductions: Bill Manion began the meeting by thanking everyone for attending and commented on how the Board Members give their time, energy and effort to make things better for the property owners and it is very much appreciated when owners attend the meetings. Bill Manion then introduced the Board Members by name and neighborhood they represent. He also introduced Todd Nelson, the Association's professional manager from Nelson Management Company.

Board Purpose and Statement of Principles: Bill Manion read the "Board Purpose and Statement of Principles" for the benefit of the association members in attendance. Bill Manion then turned the meeting over to Todd Nelson who began by introducing the Auditor's Report.

December 31, 2014 Auditor's Report: Todd introduced Evers and Company's (the Association's auditor's) Annual Report by distributing the report and associated letters to the members of the Board. He then gave a brief page by page summary of the report, the various financial statements and notes. Todd Nelson continued by saying "the big thing for the audit ...on page 11 shows our supplementary (information) for future repairs and replacements, what we are trying to prepare for. The major components at that time, in 2014, were roofs, 'dryvit' repainting, driveways and walks, railing repainting, awnings, seawalls, pumps, pumps being irrigation pumps for the three neighborhoods having irrigation pumps (irrigation pumped from the lake), deck staining and seawall rail." Todd Nelson then described the last 2 pages, the Letter of Suggestions and the Auditor's concern for the organizational structure of the management company being relatively small and that only one person (Todd Nelson) "handles it all" and the "checks and balances in place with the Board. Todd Nelson then described the checks and balances, namely that he (Todd Nelson) has no check writing authority and that all checks must be accompanied with company invoices and require approval and signature by two Association Board members. Todd Nelson then stated that the last suggestion points out the dollar amounts shown in Designated Reserves includes receivables. The auditor's recommendation is those amounts not be included until actually received. Todd Nelson then asked if there were any questions. Lynn Diggs then referred to page 7 and asked about the uninsured cash balances in bank accounts exceeding \$250,000. Todd Nelson responded by stating that, in order to protect the association from this problem, a fourth account was added in 2014.

Bill Manion then asked if there were any further questions. Resident Bill McHugh asked, "As you take in revenues and cut checks, do you do it through any accounting software like Quick Books or Quicken?" Todd Nelson responded by saying "it is all run through Quick Books". XXXX then stated that Quick Books has the ability to generate financial reports whenever somebody, accountants or auditors, requires information. Fred Miller then asked if this was what the auditor's letter was alluding to in comments regarding "Internal Control Structure". Todd Nelson responded by saying that he believed their statement was referring to the size of his company and "that there is no one else to check the work that I am doing, they are asking the Board to be more of a 'checks and balances' system". At this point there was a lengthy discussion about the Association's checks and balances and the fact that the auditors have raised this concern every year

for the almost ten years Bill Manion has been on the Board. Bill Manion then said “the Board is a group of very experienced members We have on the Board a CPA ... and the CEO of a banking company and, both of them, together, have been to Jefferson City and spoken with the auditors”. Fred Miller then stated that the statement does not necessarily open the Board up to any liability. He continued by saying, “this is a typical statement from a CPA company and when you figure the company is a person of one, there is a separation of duties issue We have resolved that by committing the Board to be part of the process, reviewing bank statements, invoices....” After further discussion, Walter Thompson (from Via Bacino) suggested that the auditor’s statement is made more to protect the auditors than anyone else. Fred Miller responded by indicating the auditor’s statement makes since they need to go on record every year saying this is a potential problem that they need to make the public aware of and the Board has to respond in the manner in which they have just responded. Jim Barnett added that it is not practical for an association of our size and that the way we are doing it is the same as most associations our size. He further stated that because of federal regulations (Dodd-Frank) auditors are required to make this type of statement in situations such as ours. Bill McHugh asked if the Association’s lawyer was aware of this statement and, if so, what did he think. Todd Nelson stated that the lawyer has not seen the statement. After brief additional discussion, Bill Manion asked if there were any further questions. There were none.

Review of September 30, 2015 Year to Date Financial Report: Todd Nelson started by referring to page 1 the September 30, 2014 Balance Sheet which showed cash of \$667,183, receivables of \$18,292, bad debt of \$28,584 leaving owner’s equity of \$656,891. He then referred to page 2, Revenues and Expenses by Townhome Neighborhood. He explained that each neighborhood is run independently with the exception of the common expenses of which are allocated across the seven neighborhoods. The allocated expenses are;

1. Administration
2. Accounting
3. Insurance
4. Professional Fees (audit and legal)
5. Postage and Office Supplies
6. Bank Charges

Todd Nelson then listed the neighborhood expense categories. They are;

1. General Maintenance
2. Landscaping
3. Snow Removal
4. Taxes
5. Electric
6. Water
7. Pest Control
8. Trash Removal
9. Tree Removal

He then explained that none of the neighborhoods have yet had to pay taxes, that electric is for irrigation systems and lighting in the neighborhoods that own their own street lights, water for the four neighborhoods that use public water (three neighborhoods irrigate by pumping water from the lake), trash removal which only applies in Punto Piloto (all other neighborhoods individual owners contract for their own trash removal) and tree removal which only applies to removing dead trees (most of which have already been removed). Todd Nelson then discussed one item that “jumps out” is Villa LaCresta operating at a negative \$33,000 for the period of January through September. He reminded the Board of the special assessment for the window sloping and the Board’s recent action to reimburse the affected Owner’s 50% of the assessment by issuing credits from Reserves. The Balance Sheet is showing those credits going to General Maintenance. Todd Nelson then stated that in his opinion (aside from Villa LaCresta), based on prior years all neighborhoods are running much like the past. Bill Manion then asked if there were any questions or further discussion. Being none, he moved to the next item on the agenda.

Review of 2016 Townhome POA Assessment Budgets: Todd Nelson started by stating, that every year, the Board has two different budget meetings for assessments. At the first, usually in August, the Board reviews and makes changes to preliminary budgets prepared for each neighborhood by Nelson Management Company. At the second (usually final) meeting, generally held in September, the Board reviews the changed preliminary budgets, makes additional changes as needed and adopts the budgets as final for the forthcoming year. Todd Nelson said, “Once again, we went to a 5% increase. The main reason for this increase every year is to cover increases in operating expenses and properly fund our reserves. Obviously, as these buildings are getting older, we are having more and more issues with them. The Board’s philosophy has been to try to obtain a 50% funding mark for future major repairs such as roofs, ‘dryvit’ ... and that’s the reason for the 5% increase The other thing put to rest for 2016 was at Villa LaCresta. At Villa LaCresta there will be two different rates, one for a Patio Home and one for a Townhome, similar to the way it is set up at Bello Point.” After

asking if there were any questions and hearing none, the Board reviewed the Via Bacino Budget. Todd Nelson went through the budget line items explaining where changes and increases had occurred. Bill Manion then asked if there were any questions or discussion. A property owner in attendance asked about collections, the entire Association being assessed legal fees for that and if there was some way to turn that back on the people who owe the money? Todd Nelson responded by saying that the attorney does try to make that part of the collection of the delinquent amount, but the majority of the time they are not able to be included. The property owner then asked, "What percent of the people we are talking about don't pay?" Todd Nelson responded by saying, "... around 10% is where the number has been on an average basis." Fred Miller then stated that the 10% number included people who are just late. Jim Barnett then stated that we have a handful of people who are over extended and gotten into situations where it's difficult for them to pay. Bill Manion then stated the Association has had situations where it has gone to judgement which is very costly to the Association. He then asked if there were any further discussion.

Lee Eise then asked if Villa LaCresta budget could be covered because of a number of residents from that neighborhood were in attendance. Todd Nelson began by again highlighting the recent change in differentiating between Patio Homes and Townhomes. The quarterly assessment for the Patio Homes has gone from \$907 to \$943 for 2016 and the Townhomes have gone from \$907 to \$952. He then briefly described line item amounts from the Villa LaCresta budget. Bill Manion then asked if there were any questions or comments or discussion. Being none, Todd Nelson then turned to the next agenda item.

Snow Removal Policy 2'+: Todd Nelson restated the Association's policy which has been in place for five years. The policy is to clear driveways and service walks of full time occupied properties after two or more inches of snow. In the case of part time occupied properties, owners whose property will be occupied during periods of snow should notify the management company when the home will be occupied and the snow will be cleared. Todd Nelson then stated that the Association removes snow only from driveways and service walks. Streets are handled by either the Four Seasons POA or Camden County.

Insurance Request from Homeowners: Todd Nelson stated that the management company has requested all property owners provide a copy of a declaration of insurance from their insurance company in order for the Association to verify all properties are properly insured with "complete replacement insurance". There was then a general discussion about the importance of this requirement and how it not only protects each owner's property but also their "roof mates" property in the event of a fire or other damaging event. After further discussion of the importance of this issue, it was noted that there has been confusion on the part of some property owners believing this type of insurance is provided by the Association. The Association does not provide this insurance. It is the responsibility of the individual property owners.

Slider Door Warranty: Todd Nelson explained that this issue has come up in Punto Piloto. The supplier of the doors has verified that all seven neighborhoods have the same Weather Shield sliding doors. Todd Nelson stated that the problem is some doors are rotting along the bottom seal where the bottom of the glass panel meets the wood frame. The seal is breaking, allowing water to get behind the bottom wood panel which causes the wood to rot. He said that over the past year he has been working with the supplier about the warranty for these doors, Weather Shield has finally agreed to provide a discount in replacing affected doors. The amount Weather Shield will provide will be determined by the number of doors that need to be replaced. Starting this fall and continuing into early winter, Todd Nelson will inspect all sliding doors and fixed panels to determine which and what number need to be replaced. Once the number is determined an order will be placed so that needed replacements can begin in spring of 2016.

Other Discussion from the Floor: Bill Manion asked if there was any other discussion from the floor. Via Bacino owner, Karen Osbourne stated how much she wanted to thank "all of you for your time and energy on the Board I think you do a great job and I know that most of the time it is a thankless job". Another resident asked if any excess amounts from the operating budget went into reserves? Jim Barnett answered by saying yes. A resident then asked what services the Four Seasons Homeowner's Association provides. A lengthy discussion followed where various Board members and residents indicated the following;

1. What the Four Seasons POA previously referred to as Security is now referred to as Resident Services. Security for the Porto Cima is now provided by the Camden County Sheriff's Department. It was suggested that the Four Seasons POA patrols are now done as a matter of determining homeowner violations and checking for street lights not working.
2. They provide annual inspection of "grinder pumps" and notice to owners whose pumps have issues.
3. They maintain the entry features to each of the neighborhoods
4. They provide snow removal on neighborhood streets in cases where the county does not
5. They own and maintain neighborhood swimming pools, the campground on Horseshoe Bend. The consensus of people in attendance was a general concern of full value for what the Porto Cima residents pay the POA in annual assessments and the lack of proper attention to the Porto Cima neighborhoods.

Via Bacino resident Walter Thompson stated the Four Seasons POA By-Laws require that Porto Cima be represented on the POA Board by two members being from the Porto Cima neighborhoods. Walter Thompson further stated that in preparing for his being a candidate in the recent elections, he read through all of the By-law and verified the requirement. He further stated that the POA Board appoints two Members and, during this election, chose not to appoint any one from Porto Cima to either of two vacancies. At the completion of the elections, only one Member, Board Vice President Nancy Cason, was from Porto Cima. Bill Manion and other Board Members agreed that this matter deserved an answer from the Four Seasons POA. Bill Manion then asked if anyone had heard any more about the Four Seasons POA plans for a potential special assessment for street lights in Porto Cima. No one in attendance knew of any additional information. Bill Manion stated that this matter would get special attention. He further stated that he would personally look into the matter of two Four Seasons POA Board Members needing to be from Porto Cima.

Bill Manion then asked if there was any other discussion. Being none, he called for adjournment of the annual meeting at 10:17 AM.

Respectfully submitted,
Dana Johannesen