

**Harbour Towne Owners Association, Inc.**  
**Treasurer's Report – 2009 Annual Homeowners' Meeting**  
**October 10, 2009**

**1. 2008 Summary**

**(See the 2008 Balance Sheet & 2008 Profit & Loss Budget vs. Actual Reports: Pages #1 – 4 in the packet)**

On the Balance Sheet for 2008, the Association had \$482,856.87 in TOTAL ASSETS and TOTAL LIABILITIES & EQUITY on December 31, 2008. Of this amount, \$302,754.65 is related to the Breakwater Accounts Receivable and \$331,471.00 is related to the Breakwater loan. Toward the bottom of the page, under the "Equity" heading, you'll see the balances, as of December 31, 2008, for each of the Association's Reserve Accounts. Please disregard these figures because they're actually the Association's equity balances as of December 31, 2007. When we get to the discussion about the 2008 Audit report, I'll discuss the year-ending balances for our reserve accounts in more depth.

Next, let's look at the 2008 Profit & Loss Budget vs. Actual report.

A.	Income (Gen. Ops, Garage & Dock)	\$ 480,192.16
	Special Assessment (Breakwater)	\$ 865,844.49
	Other Income (Maint. Reserve)	<u>\$ 20,626.40</u>
	<b>Total Income</b>	<b>\$1,366,663.05</b>
	Expenses (Gen. Ops., Garage & Dock)	\$ 524,288.57
	Interest Expense (Breakwater)	\$ 6,814.46
	Breakwater	\$ 850,100.00
	Other Expenses	<u>\$ 1,939.88</u>
	<b>Total Expenses</b>	<b>\$1,383,142.91</b>
	<b>2008 Net Income (Loss)</b>	<b>(\$16,479.86)</b>

For 2008, we were \$1,638.34 under budget. If anyone has any questions regarding a specific account or line-item, I'd be happy to answer those questions at this time.

**B. 2008 Audit Report (Pages #5 & 6 in the Packet)**

Included in the packet is a copy of the Independent Auditor's Report from Ever's & Company for our 2008 audit. As you can see from the next to last paragraph in their letter, the Association had a "clean" audit for 2008.

In the last paragraph of their audit letter, you will notice that they have recommended that we develop a Schedule of Future Major Repairs and Replacements. After the 2007 Homeowner's meeting, the Executive

Board created a Long Range Planning committee to look into this specific issue. At the recommendation of this committee, the Board retained the services of Harms, Inc., a local engineering firm, to help the Association develop a schedule for future repairs and maintenance. In a few minutes, as part of the Long Range Planning Committee's report, I believe they will discuss the status of this project and their recommendations.

On page #6 of your packet, you will find a copy of the "Statement of changes in Member's Equity" included in the 2007 Audit report. The last line on that page reflects the "Members' Equity as of December 31, 2008", which is \$138,367.43. This is a \$20,163.89 decrease over 2007's ending equity figure, which was \$158,531.32.

If anyone would like to see the complete audit report, please let someone at Nichols Management or myself know and we'll make one available for your review.

## 2. 2009 Year-to-Date Summary

### A. Account Balances as of October 7, 2008 (See Balance Sheet – Page #7)

Checking – Bank Star One	\$ 58,408.84
Golden Passbook – Bank Star One	\$ 3,240.70
Breakwater Money Market	\$ 7,625.95
Great Southern CDARS Acct.	\$ 45,799.48
CDARS Investment (Money Mgr.)	\$ 45,787.25
CD (Matured 2/13/09)	<u>(\$ 990.61)</u>
Total Checking, Savings & CD's	<b>\$159,871.61</b>

Please note that our Accounts Receivable balance is \$393,808.60. Of this amount, \$302,754.65 is for Breakwater assessments that are yet to be billed. \$91,053.95 is for assessments that have been billed. Out of this amount, \$33,805.78 is associated with unpaid Breakwater assessments.

### B. Year-to-Date Expenses & Income – As of October 9, 2009 (See Profit & Loss Budget vs. Actual – Pages #8 - 10)

- Total Income for 2008 (Excluding Maint Res.): \$609,201.81  
Less Breakwater Income: \$ 91,327.21  
**\$517,874.60**

This is \$5,559.36 more than the \$512,315.24 budgeted for the year.

- #81428 – Chimney Inspection: \$0 YTD The chimneys are due to be inspected this fall.

- #8151 – Maintenance Reserve: \$8,669.57 YTD  
This is associated with the backflow devices that are being installed on the water lines to be in compliance with city and state requirements.
  
- #815 – Repairs & Maintenance (other): \$6,793.11 Over Budget  
Here's some of the larger ticket items under #815:
 

1. Seal & Stripe Parking Lots	\$14,434.50
2. Refinish Tennis Court	\$ 6,750.00
3. CINTAS – Inspect/Recharge Fire Extinguishers	\$ 1,513.54
4. Replace Pool Heater	\$ 2,633.14
5. Install Gutters & Downspouts	\$ 6,653.00
6. Clubhouse Water Damage	\$ 1,654.77
7. Dryer Vent Cleaning	\$ 5,115.00
8. Install cladding around electric meter panels	<u>\$ 1,280.00</u>
<b>Major Items Total</b>	<b><u>\$40,033.95</u></b>
  
- #818 – Interest Expense: \$13,164.49 YTD  
This is associated with the Breakwater loan.
  
- #820 – Insurance Claims & Expenses: \$6,262.26 YTD  
This is associated with two separate claims – one was for wind damage in the Spring and the other was a water leak in a third floor fire sprinkler head.
  
- #826 – Accounting & Legal: \$3,390.75 Over Budget  
We've had more legal expenses than anticipated this year due to some owners in arrears on their assessments.
  
- #846 – Boat Dock Repairs & Maintenance: \$3,166.61 Under Budget  
Here's a summary of the expenses on this line-item YTD:
 

1. Dock D Modifications	\$ 2,181.13
2. Dock F Underwater Bracing, Etc.	\$16,802.61
3. Anchor Cable Replacements	\$12,200.00
4. M&S Misc. Repairs, Etc.	\$ 4,246.62
5. Nichols Mgmt. – Misc. Repairs, Etc.	\$ 945.37
6. Other Miscellaneous	<u>\$ 457.66</u>
<b>Total</b>	<b><u>\$36,833.39</u></b>

If the costs associated with the first three “projects” (Dock D, Dock F & Anchor Cables) are excluded, we've spent **\$5,649.65** for repairs on the docks thus far this year.

- #8488 – Use Permit Fees: \$8,347.20 Year-to-Date  
This is for AmerenUE’s use permit associated with the docks and Breakwater. The \$1,036.80 increase is for the Breakwater.
- Total Expenses: \$467,745.81 Year-to-Date or 83.3% of Budget – should be 78-80% at this point in the year. The “Total Expenses” are \$93,623.08 under budget thus far for the year.
- Net Income: \$161,204.03 Year-to-Date  
     Plus Interest Expense \$ 13,164.49  
     Less Breakwater Income (\$ 91,327.21)  
     **\$ 83,041.31**

**C. Breakwater Update**

As of October 10, 2009, 119 units have paid their breakwater assessment in full, 72 are making payments.

Does anyone have any other questions about the 2009 year-to-date information?

**If not, we need a motion to approve the Resolution on page #11 which authorizes the Association to transfer any remaining funds to the appropriate Equity Fund Accounts on December 31, 2009.**

**\*\*\*\*TURN OVER TO STEVE FOR COMMITTEE REPORTS\*\*\*\***

**4. 2010 Adopted Budget**

**(See Profit & Loss Budget Overview – Pages #13 & 14 in the packet, we’ll come back to page #12 shortly)**

**A. 2010 Budget Highlights**

- #610 – Unit Dues (Income): \$61,805.76 increase, which is a \$0.05/sq.ft./quarter increase over 2009.
- #611 – Condo Dues Insurance (Income): \$10,816.01 increase..
- #612 – Cable TV Dues (Income): \$1,214.76 increase, which is \$1.59/quarter/unit, to cover cost increases for cable service.
- #6130 – Sewer Fees (Income): \$1,719.00 decrease, which is a \$2.25/unit/quarter decrease. We’re installing water meters on the pools and lawn irrigation systems in 2010 to deduct that water usage from our sewer bill.
- #621 – Garage Dues & #622 – Storage Unit Dues: \$588.00 increase. The assessment is being increased by \$1.50/garage/quarter (\$0.75/storage unit/quarter).

- #631 – Boat Slip Dues: Unchanged for 2010
- #633 – PWC Slip Dues: Unchanged for 2010
- #8141 – Grounds Labor: \$5,000.00 or 13% increase.
- #8151 – Maintenance Reserve: \$22,250.00 decrease. Tentatively allocated for improvements to the stair towers.
- #815 – Repairs & Maintenance (other): \$41,400.00 increase.  
Allocated as follows:
 

1. Backflow Testing (16 devices @ \$75)	\$ 1,200.00
2. Backflow – Retrofit Buildings (2 @ \$2,250)	\$ 4,500.00
3. Paint both pools	\$ 7,000.00
4. Stabilize west drive shoulder	\$14,000.00
5. Misc. Building repairs (Harms report)	\$ 6,000.00
6. Water meters & backflows (pools & irrigation)	\$ 4,000.00
7. General Repairs	\$25,000.00
8. Replace Siding on E100 & W100 Buildings <sup>1</sup>	<u>\$33,700.00</u>
Total	<u>\$95,400.00</u>
- #823 – Management Fees, #831 – Garage management fees & #844 – Boat Dock Management: \$9,168.00 increase (20% increase).
- #824 – Administrative: \$1,000.00 decrease due to savings associated with using website for posting minutes, etc. instead of printing & mailing.
- #641 – Maintenance Reserve Unit Dues: \$5,150.48 increase.
- Net Income (Loss): **\$3,910.52**

B. Comparison of 2009 vs. 2010 Assessment Rates  
(See Page #15 of the Packet)

This spreadsheet summarizes the various increases in assessment rates that we just discussed while going over the 2010 adopted budget.

Does anyone have any questions regarding the 2010 budget? **If not, I need a motion to Ratify the 2010 budget.**

C. Establishment of Late Fees & Interest Penalties for 2010  
(See Page #12 of the Packet)

The Association's Condo Declarations and By-laws establish that the Association can charge up to \$50 per month in late fees and 18% interest on delinquent accounts. Instead of charging \$50 per month as a late fee, we've been charging \$50 per quarter plus the 18% interest. Our attorney has recommended that we formally establish these rates each year by resolution. The proposed resolution is page #12 in your packets.

Unless anyone has any questions, **I need a motion to approve the Resolution establishing the late fees and interest penalties for 2010.**

**THANKS FOR YOUR TIME & PATIENCE!!!**