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Linda Hardwick
 P & M Property Management
 14630 South Tamiami Trail #B
 Fort Myers, FL 33912

Dear Linda:

At the last meeting of the Villas Board on August 26, 2010, I was invited by the President of the association and member of the Board, Jerry Masters, to put my questions in writing. These questions, numbered 1-10, are set out below, together with explanatory text and financial records.

PAINTING RESERVE ACCOUNT:

The painting reserve schedule (below), attached to the approved 2007 budget obtained from P&M's records, indicates the following figures for the painting reserve account in 2006.

Est. Balance beginning 2006 \$	Added in 2006 \$	Deducted in 2006 \$	Est. Balance Year-End 2006 \$
44,664.10	3,862.92	18,614.79	55,064.70 ?

Surely, the estimated balance calculation is: \$ 44,664.10 + \$ 3,862.92 – \$ 18,614.79 = **\$ 29,912.23**

Question 1:

How is the estimated balance at the end of 2006 calculated as \$55,064.70 ?

Question 2:

Why was \$18,614.79 deducted from the painting reserve in 2006 when no painting (as far as I'm aware) was done until the end of 2007 ?

The table (below), based on the financial records obtained from P&M for 2007-2010, indicates that \$10,400 was the approved contribution for the painting reserve in the 2008 budget.

According to HOA regulations in Ch. 720 F.S., only a vote of the members could modify the funding allocated to this account.

Year	Estimated Useful Life (yrs)	Estimated Remaining Life (yrs)	Estimated Replacement Cost \$	Beginning Reserve Balance \$	Approved Funding for Year \$
2008	7	7	72,800.00	0.00	10,400.00
2009	7	6	72,800.00	1,977.00	11,803.83
2010	7	6	72,800.00	13,781.00	9,836.50

Question 3:

What happened to \$8,423, being the difference between the \$10,400 that should have been allocated to the painting reserve in 2008, and the actual amount of \$1,977 ?

Question 4:

Why did the Board fail to obtain the approval of the members in order to reduce the contribution to the painting reserve account by \$8,423 in 2008 ?

Question 5:

In 2010, why is the "Estimated Remaining Life" of the paint approved as 6 years, when it clearly should be 5 years ?

This "error" in the estimated remaining life of the paint has resulted in further underfunding of the painting reserve account in 2010 by some \$1,967.30.

ROOFS RESERVE ACCOUNT:

The roofs reserve schedule (below), attached to the approved 2007 Budget obtained from P&M's records, indicates the following figures for the roofs reserve account in 2006.

Est. Balance beginning 2006 \$	Added in 2006 \$	Deducted in 2006 \$	Est. Balance Year- End 2006 \$
31,012.90	5,424.84	34,669.24	1,768.53

At the annual meeting on March 25, 2006, the members gave their approval to "partially fund" the roofs reserve. In other words, the Board had the approval to allocate *less* in *new* contributions to the roofs reserve in 2006 than was required by the statutory formula.

The minutes of the Board meeting on June 6, 2006, attended by Dick Powers, Ray Glowaz and Walt Buchner record that Walt "*made a motion to move the money from the roofing reserve to the painting reserve*" and this was unanimously supported. Unfortunately, there is no explanation in the minutes of why this was necessary or, for that matter, any details of how much money was involved in this transfer.

Furthermore, I do not believe that members' approval to "partially fund" the roofs reserve in 2006 provided the Board with any authority to then *withdraw* \$34,669 from the roofs reserve, thereby emptying the account, save for \$1,769.

Question 6:

Why was \$34,669 withdrawn from the roofs reserve in 2006 and how has this money been accounted for in the association's records ?

Question 7:

Why did the Board fail to seek the approval of the members to deduct \$34,669 from the roofs reserve in 2006 in accordance with normal practice ?

The financial records obtained from P&M for 2007-2010 indicates the roofs reserve was budgeted and approved by the Board as follows:

Year	Estimated Useful Life (yrs)	Estimated Remaining Life (yrs)	Estimated Replacement Cost \$	Beginning Reserve Balance \$	Approved Funding for Year \$
2007	30	23	UNKNOWN	1,769	7,025
2008	30	23	55,000	8,794	6,601
2009	30	22	200,000	15,395	8,391
2010	30	22	250,000	23,786	10,283

Question 8:

What was the estimated replacement cost for the roofs in the 2007 approved budget ?

Question 9:

Why was the estimated replacement cost for the roofs only \$55,000 in the 2008 approved budget ?

P&M are on record for having expressed serious concerns to the Board about the roofs reserve being underfunded. However, it appears the Board ignored this advice and did not take steps to obtain a realistic estimate of the replacement cost of the roofs, thereby failing to ensure the account was properly funded in accordance with HOA regulations.

Question 10:

Why did the Board fail to establish realistic estimates of the roofs replacement cost in the approved budgets over several years ?

I look forward to receiving both truthful and complete answers to all these very troubling questions within the next 30 days.

Sincerely,

Martin Kelly

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