

**Minutes of the POATRI Board of Directors Quarterly Meeting
October 31, 2015**

The October 2015 quarterly meeting of the Board of Directors was called to order at 10:03am by Marilyn Anthenat, President.

Roll call & certification of Board Members	A=Absent	P=Present
Marilynn Anthenat - P	Georganne Bradbury – A	Jeff Daly - P
Dave Howe - P	Frank Oxsheer – A	Kathy Pothier - P
Linda Shank - P	Mike Smith – P	

Public Service Announcements – Tom Ramsay noted the Reading Round the Ranch book club will be meeting on Sunday at 1:30. All are welcome. Marilyn announced that she received a call from a resident in the Ghosttown that they are having problems with squatters. Marilyn announced that we have received 3 applications for directors, Yvonne Diaz, Chris King and Larry Learning. We will be drawing for ballot positions at the end of this meeting.

Minutes from the July 25, 2015 meeting have been sent out to the directors via email and posted on the website. I, Kathy Pothier, move that the minutes of the July 2015 BOD meeting be approved as previously presented. The minutes were approved unanimously.

Executive session conference calls – held on September 3, 2015 and September 29, 2015. All Directors were present. Legal and personnel issues were discussed. No resolutions were passed. 10/30/2015 – M Anthenat, K Pothier, L Shank, J Daly, M Smith, and D Howe were present. Attorney Clayton Hearne was present via telephone. Legal and board issues were discussed. No resolutions were passed.

President’s Report by Marilyn Anthenat is attached to these minutes

Treasurer’s Report by Linda Shank is attached to these minutes

Committee/Task Force Reports

Director Application Committee report by Marilyn Anthenat. We have 3 candidates for the 3 vacant director seats. Larry Learning was present. All are invited to stay after the meeting if you have any questions for Larry. Yvonne Diaz and Chris King are the other applicants.

Budget and Finance Committee by Ed Marcato is attached to these minutes. The projects completed by the BFC this quarter are also attached to these minutes.

Audit Committee by Linda Shank. We have two members of the audit committee. The committee has not undertaken any projects. There is a huge need to have more members. If you want to volunteer, please let Linda or Marilyn know. There’s not a significant amount of time necessary, but most projects must be done on site.

Communications Committee by Marilyn Anthenat. We are trying out WEBEX in order to allow more attendance by property owners. Frank Oxsheer and Gini Viles are online as well as the Café staff. Thanks to Mike Smith, Gini Viles and Brad Anthenat for getting this up and running for today. We will continue to work out the issues toward increasing property owner attendance at our quarterly meetings via WEBEX.

Legal Coordinators by Mike Smith. Marbert Moore, Gini Viles, Barbara Trammell and Frank Oxsheer had a substantial contribution to this report. We thank them immensely.

The law firm of Roberts, Markel, Weinberg, Butler, Hailey PC has determined we are a Property Owners Association according to the new Texas rules, specifically: **“POATRI is a property owner’s association as defined by Chapter 202 of the Texas Property Code. POATRI is NOT a proper owner’s association as defined by Chapter 209 because it does not have residential restrictions. The application of Chapter 202 to POATRI does not void any decisions made by the board. Generally speaking, there are few statutes in Chapter 202 that are going to substantially change the manner in which POATRI operates. The**

arguments being presented as to the damming effect of POATRI being a POA is a classic example of a “red herring” argument.”

Don Ferguson and his adviser’s assumptions are wrong. They failed to understand the difference between a recreational POA, (which is what we are) and a residential POA, (which is what we are not) as defined in the Texas statutes. Our elections are and have been legal.

Ratification:

After diligently reviewing the POATRI documents, the County Clerk documents, and reading of the no-say, no-pay progressives’ sign & blogs and the Julianne Braun blog, the law firm of Roberts, Markel, Weinberg, Butler, Hailey PC has determined that the 2005 elections to raise the rate of assessments per the Ninth Amendment to the TRMA has been ratified by well over 50% of the Association and is the law of the land. The public signage, social media, and/or the internet has notified most members of the circumstances surrounding the 2005 adoption of the increase in assessment fees.

Collections:

The Legal Task Force recommends that collections start immediately. We recommend the invoices being sent out in November include the delinquent amount for the association members that are delinquent. A letter such as: We have secured the services of Roberts, Markel, Weinberg, Butler, Hailey PC to pursue past due assessment amounts. You currently are past due amount by \$_____ along with this year’s fees, for a total of \$_____. This invoice and letter is an attempt to give you an opportunity to clear your account prior to being turned over to our attorneys in 2016 for collection proceedings. You may call us at 432-371-2298 or email us at propertyinfo@terlinguaranch.com for any questions you may have.

Roads:

We are still working on the road issue.

Thanks to the legal task force. This law firm specializes in POA/HOA. They have significant presence and sterling reputation in the state. For more information about our attorneys you can go to <http://rmwbhlaw.com/> They have an office in Austin. We have been working with the Houston office as well as the Dallas office that specializes in employment law and a special unit that does collections.

Airport Committee by Marbert Moore. There is no report. We did have some complaints when the pilots were here earlier in the month about low flying planes. There is a limit to how low they can fly. If anyone has experience any problems with low flying planes – if possible, get their number and call the FAA. The flight limits are 500’ above the ground.

Old Business:

Cell Phone Tower Leasing Opportunity - Georganne Bradbury and Communications Committee – no report.

Funding Contingency and Reserve Funds – the BFC has been looking at this issue. There is still a board resolution from 2012 to fund these accounts of \$12,000 per year. We would ask to table this issue until the January meeting at which time we will have the operating results for 2015 and can make the decision at that time. May want to replace or consider it complete so that each board is not obligated by a resolution from a much earlier year, but have a resolution that stands on its own each year. We’ll be offering a resolution in January for this that will also include having it based on having funds available at the end of each year.

New Business:

Property Owner Participation – Each Speaker Limited to 3 Minutes, Sign up in Advance on Speaker List

Lodge Revenue and Cost of Discounts – Linda Shank, Treasurer – The supplemental area (lodge facilities, water sales, retail sales, etc.) as of Sept 30th has generated a net loss. There is a substantial amount of revenue that comes in but also expenses. We have been looking at all discounts, owner & other, that have been in place and how they compare with rates in the area overall. The study is ongoing and we will have a report out to the board in time to finish up the 2016 budget.

Number of Directors Discussion – Mike Smith – tabled until a later date based on the discussion at the workshop.

Consumer Price Index (CPI) Report and Assessment Recommendation – Linda Shank, Treasurer – Time for the annual determination of the assessment amount for 2016. The bylaws are very specific regarding the CPR process

Bylaws Article 4.01.f - **Direct the Treasurer in October of each year to review the average, for the period covering from September of the previous year through August of the current year, of the monthly United States Department of Labor, Bureau of Statistics, All Urban Consumers (South Urban) Consumer Price Index (CPI) on which the CPI in Section I of the Maintenance Agreement (approved July 23, 2005), is based. Upon this annual review, the Board shall adjust the assessment for the coming year by adding to that assessment an amount equal to the preceding 12-month average. Only upon certification from the Treasurer of the Board of Directors that a budgetary surplus has been forecast for the upcoming year, the Board of Directors may waive the annual CPI increase or adjust the assessment by some amount less than the preceding 12-month average;**

The CPI resolution is in the resolutions section of these minutes.

Director Volunteers Receiving Actual Expense Reimbursement – Marilyn Anthenat – Our bylaws indicate that no remuneration for directors except for lodging. We have had directors incur expenses while helping out to cover for staff positions during this transition time. This is not to be confused with directors travel expenses to and from meetings. There is no resolution to be presented. This is simply up for general discussion.

Within the context of the discussion regarding director expense reimbursement, the discussion was redirected to the resignations of key staff positions. Several property owners spoke in support of the former employees who resigned accusing the board of workplace harassment and micromanagement. It was stated that the former employees have been encouraged to send a letter to the State Attorney General regarding their complaints. The president of the board responded that harassment is a legal term and that our attorney has reviewed over 150 pages of documents that were allegedly micromanaging and harassing and he found nothing in them. Another board member sent our attorney several documents as well and he found nothing at all to substantiate those allegations. The board is prohibited by law from discussing employee issues in public.

We were then directed back to the topic under discussion – director expense reimbursement. There was consensus that the topic would be tabled.

There was a request to have the Terlingua Ranch facebook page reinstated. No board member took down the Terlingua Ranch facebook page. It was a privately owned, individual page that was being used for the benefit of Terlingua Ranch. Director Dave Howe told the page owner that it would be wise to just take the facebook page down. There was another suggestion to find a forum for owners to communicate.

Drawing for Board of Directors' Candidates Ballot Position – Kathy Pothier, Secretary. There were three candidates for the three seats available this year. Larry Leaming, Yvonne Diaz, and Chris King. Dan Cox, property owner, picked the names out of the hat. The candidate ballot positions are as follows: 1. Yvonne Diaz; 2. Chris King; 3. Larry Leaming.

Frank is attending via WEBEX. He is not counted as present, nor is he able to vote.

The resolutions presented begin on the next page.



I move that POATRI accept the law firm of Roberts Markel Weinberg Butler Hailey PC with Attorney, Brady Ortego as our attorney of record.

Effective Date: October 31, 2015
Motion By: Mike Smith
Second: Marilynn Anthenat
Ayes: 6 Nays: 0 Abstain: 0 Absent: 2

Record of Voting:

<u>YES</u>	M. Anthenat
<u>ABSENT</u>	G. Bradbury
<u>YES</u>	J. Daly
<u>YES</u>	D. Howe
<u>ABSENT</u>	F. Oxsheer
<u>YES</u>	K. Pothier
<u>YES</u>	L. Shank
<u>YES</u>	M. Smith



Motion made to the Board of Directors

Property Owners Association of Terlingua Ranch, Inc.

I would like to make a motion that POATRI re-start collections of delinquent accounts effective with the mailing of the invoices for the 2016 Association Fees.

Effective Date: October 31, 2015
Motion By: Mike Smith
Second: Dave Howe

Ayes: 6 Nays: 0 Abstain: 0 Absent: 2

Record of Voting:

<u>YES</u>	M. Anthenat
<u>ABSENT</u>	Bradbury
<u>YES</u>	J. Daly
<u>YES</u>	D. Howe
<u>ABSENT</u>	F. Oxsheer
<u>YES</u>	K. Pothier
<u>YES</u>	L. Shank
<u>YES</u>	M. Smith



Motion made to the Board of Directors

Property Owners Association of Terlingua Ranch, Inc.

I would like to make a motion that POATRI add the following statement to the invoices of delinquent property owners, starting with the mailing of the 2016 Association Fees.

We have secured the services of Roberts Markel Weinberg Butler Hailey PC to pursue past due assessment amounts. You currently are past due \$_____ along with this year's fees, for a total of \$_____. This invoice and letter is an attempt to give you an opportunity to clear your account prior to being turned over to our attorneys in 2016 for collection proceedings. You may call us at 432-371-2298 or email us at propertyinfo@terlinguaranch.com for any questions you may have.

Effective Date: October 31, 2015
Motion By: Mike Smith
Second: Linda Shank

Ayes: 6 Nays: 0 Abstain: 0 Absent: 2

Record of Voting:

<u>YES</u>	M. Anthenat
<u>ABSENT</u>	Bradbury
<u>YES</u>	J. Daly
<u>YES</u>	D. Howe
<u>ABSENT</u>	F. Oxsheer
<u>YES</u>	K. Pothier
<u>YES</u>	L. Shank
<u>YES</u>	M. Smith



Motion made to the Board of Directors

Property Owners Association of Terlingua Ranch, Inc.

I would like to make a motion that POATRI use the law firm of Roberts Markel Weinberg Butler Hailey PC, with Attorney Brady Ortego as our attorney of record for collecting our delinquent/past due Association fees as may be directed by the Board.

Effective Date: October 31, 2015
Motion By: Mike Smith
Second: Linda Shank

Ayes: 6 Nays: 0 Abstain: 0 Absent: 2

Record of Voting:

<u>YES</u>	M. Anthenat
<u>ABSENT</u>	Bradbury
<u>YES</u>	J. Daly
<u>YES</u>	D. Howe
<u>ABSENT</u>	F. Oxsheer
<u>YES</u>	K. Pothier
<u>YES</u>	L. Shank
<u>YES</u>	M. Smith



RESOLUTION BY THE BOARD OF DIRECTORS

WHEREAS: POATRI By-Laws, Article 4.01.f reads: Direct the Treasurer in October of each year to review the average, for the period covering from September of the previous year through August of the current year, of the monthly United States Department of Labor, Bureau of Statistics, All Urban Consumers (South Urban) Consumer Price Index (CPI) on which the CPI in Section I of the Maintenance Agreement (approved July 23, 2005), is based. Upon this annual review, the Board shall adjust the assessment for the coming year by adding to that assessment an amount equal to the preceding 12-month average. Only upon certification from the Treasurer of the Board of Directors that a budgetary surplus has been forecast for the upcoming year, the Board of Directors may waive the annual CPI increase or adjust the assessment by some amount less than the preceding 12-month average;

WHEREAS: As required by the POATRI By-laws, Article 4.01.f, the CPI has been researched for the previous twelve month period ending September 30, 2015, resulting in an average CPI increase of 0.442% as of September 30, 2015, and

WHEREAS: there is no projected budgetary surplus for the upcoming year:

THEREFORE BE IT HEREBY RESOLVED: to approve and adopt the average CPI increase of 0.442% which equates to an increase of \$0.74 for a new assessment of \$168.81 for calendar year 2016.

Effective Date: 2016 Assessment Billing
 Motion By: Linda Shank
 Second: Marilynn Anthenat

Ayes: 6 Nays: 0 Abstain: 0 Absent: 2

Record of Voting:

<u>YES</u>	M. Anthenat
<u>ABSENT</u>	Bradbury
<u>YES</u>	J. Daly
<u>YES</u>	D. Howe
<u>ABSENT</u>	F. Oxsheer
<u>YES</u>	K. Pothier
<u>YES</u>	L. Shank
<u>YES</u>	M. Smith

General question – If property changes hands during the calendar year, and the fees were paid for that year, then the new owner should be in good standing. Fees should be prorated for the year. More research needs to be done before giving an answer. The legal task force discussed this issue with the attorneys and the attorneys have stated that the fees run with the land, not the owner. On the original TRMA the fees ran with the land and this has never been changed. More time is needed to look into the issue and come back with an answer.

Public comments:

Dave Howe – *“The letter that went on facebook about the goings on here at the ranch that was signed by myself, Jeff, and Georganne, we solely authored that and the rest of the board had nothing whatever to do with it. They weren’t previously notified about it. This is my first try at being on a board of directors. I’ve discovered it isn’t as easy as it looks. I pretty much had my head handed to me this weekend. As a consequence of that and I found that I can’t operate in a free and open manner as I’d like to, I’d like to submit my resignation to the president. I appreciate being voted onto the board and for a combination of health issues, I’m resigning. Thank you for electing me. I’m sorry I couldn’t complete the term.”*

Dave’s resignation was accepted by the president. Thank you for your service to POATRI.

Randy McLaughlin – please help by picking up trash along the ranch road. When you go out the ranch road, pick up the large trash items.

Bonnie Hill – Reminder of upcoming election – everybody get out and vote.

Linda Shank made a motion to adjourn. Seconded by Kathy Pothier. All were in favor. The meeting was adjourned at 11:39am.

Respectfully submitted,

Kathy Pothier

Kathy Pothier, Secretary

P.O.A.T.R.I. - BOARD OF DIRECTORS' MEETING - OCTOBER 30-31, 2015

PRESIDENT'S REPORT

Our Legal Task Force, chaired by Mike Smith and Frank Oxsheer with the support of Barbara Trammell, Marbert Moore, Virginia Viles, and our attorney Brady Ortego continue to make progress researching the issues surrounding collections and ingress/egress and we anticipate recommendations from the team soon.

The 2014 POATRI tax return was completed well ahead of the September 15 deadline. Many thanks to Patsy Culver and team for ensuring the tax return was timely and accurately completed.

On August 17, Andrea Hinkle gave notice she was resigning from her position in Property Owner Information and Services to work full-time at the Starlight and we wish her much success. Carole Dahl has replaced Andrea and has quickly becoming knowledgeable and comfortable in her new position; we welcome and look forward to working with her. September 20th was Val's last day as he left his position on the ranch maintenance team to return to Germany.

Recent resignations were a shock to the ranch community. We will continue to post information on the POATRI.org web site to keep you informed. The Board has been advised by counsel to not discuss the departing employees or the circumstances of their resignations. Please be assured that our counsel has reviewed the situation and documentation and it his opinion that there has been no wrong-doing on the part of the Board of Directors. The lodge, facilities, and the café remain open, water sales continue, and roads are being maintained without interruption.

Currently available positions include the Ranch Manager, Maintenance Supervisor, Front Desk Coordinator, and Front Desk Clerk. Searches and interviews to fill the positions have begun. A bookkeeper has been hired and she begins her new responsibilities on November 9th. Open positions are currently being covered with either existing staff, volunteers, directors, or temporary staff. Kathy and Linda have done an extraordinary job of stepping in and quickly organizing or covering the positions and becoming familiar with ranch operations. We also thank Marbert Moore and Ed Marcato for volunteering their time to keep operations running smoothly. Yvonne Diaz came in on a temporary basis to help out at the front desk and Joyce Helt has been helping with payroll. Dennis and Isaiah continue to do their much appreciated and outstanding work maintaining the roads. Carole is an asset to the ranch in Property Owner Services and at the front desk. Klaus is working additional hours helping to keep facilities running smoothly and getting things organized. Dean continues to provide security and helping out in other areas as well. Betty is doing a fantastic job managing the café and with the help of Maria, Shawn, DeAndre, John, Paul, Rocky, and Mark continue making the best burgers and burritos west of the Pecos. We thank each of these people for their loyalty to the ranch and to the property owners.

Our recent auction ended on October 20th with five properties totaling 55 acres sold to three new property owners and two existing property owners.

Jana Long is our new Independent Vote Counter and we look forward to her help with the upcoming election.

Kathy Pothier has been working to update our governing documents with resolutions approved over the past couple of years and we appreciate her organizational skills and willingness to take on this task.

We're also looking for volunteers who enjoying writing to help out with the quarterly newsletters.

Respectfully submitted,

Marilynn Anthenat, President

POATRI
Treasurer's Report
For the Quarter Ended September 30, 2015
Quarterly Meeting – October 31, 2015

Unaudited, preliminary financial statements for the nine months ended 9-30-15 will be available within the next week on POATRI.org and include a Balance Sheet, a Consolidated Statement of Profit & Loss compared to the same nine-month period last year, and a Profit & Loss Budget Performance reflecting Actual versus Budget for the nine-month period.

Also available is a report that summarizes income and expenses for the various areas of POATRI operations. The report reflects that the SUPPLEMENTAL CLASS, (which is comprised of the cabins, café, camping, laundry, and sale of non-potable water), had an overall net operating loss of approximately (\$42,000) for the nine-month period. With approximately 2,300 property owners having paid the 2015 assessment, this loss calculates to about \$18.26 per paying property owner.

Cabin rentals are the main source of lodge revenue and cabin revenue has been steadily increasing since the lodge facilities were reopened in 2010. To encourage owner participation, in 2014 management offered a 50% discount on cabin rentals at a nightly rate of \$43 from the regular nightly rate of \$86. The discount has been offered to owners and immediate family members, including parents, siblings, and children. The discount has, of course, been popular with owners who have rented the cabin. However, the net loss on overall lodge operations creates a need to look closely at both lodge-related expenditures and lodge income and determine how to have a Terlingua Ranch Lodge operation that is closer to being self-supporting.

The Budget & Finance Committee has been analyzing the current lodge discount policies, cabin rates, and other revenue policies as part of developing the 2016 Operating and Capital Expenditure budgets. They expect to release a report to the Board before the end of the year.

Non-Supplemental Class revenue makes up about 64% of total revenue, while the Supplemental Class revenue is approximately 36% of total POATRI revenue. For the nine-months ended 9-30-15, total revenue from all sources was approximately \$729,000.

Non-Supplemental Class expenditures (including road maintenance, the water system, and general overhead) make up approximately 54% of total expenditures, while Supplemental Class expenditures (cabins, RV & camping, retail, café, pool, etc) reflect approximately 46% of total expenditures.

Significant renovation has been accomplished on the cabins, septic systems, and other buildings around the lodge/office area since the lodge area was reopened over 5 years ago. Insurance proceeds from a hail storm in 2012 enabled starting the badly needed replacement of cabin and other building roofs. Over the five-year period there have been generous donations from Owners towards cabin improvements, furnishings, and office fixtures and improvements.

There is currently no amount budgeted for promotion of Terlingua Ranch Lodge. The steady increase in both owner and non-owner cabin occupancy and café and pool activity over the five-year reopening period reflects appreciation for the renovated facilities and the general increased interest in the Big Bend area. Terlingua Ranch Lodge continues to be a viable draw for prospective owners of Terlingua Ranch properties.

Respectfully submitted,
Linda Shank, Treasurer, October 31, 2015

POATRI Budget & Finance Committee Report

For the period July 1, 2015 Through September 30, 2015

The following Projects were done in Q3

1/ Café Performance Analysis, as of July Highlights:

Financial questions were posed by the Treasurer and the BFC assisted the manager with a financial analysis that showed:

- The July abnormally high payroll expense was the result of having 3 pay periods that month, and from labor expense from an unplanned kitchen renovation project required for an inspection.
- POATRI is in compliance IRS reporting requirements for tipped wait staff.
- A question was raised regarding plans to bring the restaurant closer to breaking even. The BFC suggested that this is largely dependent on the volume of Cabin Rental business and a strategic plan and a financial investment from available cash will be required to significantly grow the Lodge business.
- The analysis showed that the Café was meeting the planned budget, and this was important because this is the first year POATRI is managing the restaurant after the operation was lease out for several years.

2/ History of the Capital Reserve and Contingency Funds Highlights:

- The report showed the activity in the funds from 2005, when our QuickBooks accounting systems was implemented, to the present.
- The Capital Reserve Fund dates back to prior to 2005, and there was a carry forward balance of \$17,665. The Contingency Fund was established in 2007, and both Funds received most of their monies from the NRC, or non-recurring charge, implemented in 2007.
- As of this August report, the Contingency Fund balance was at its established limit with a balance of \$201,595; and, the Capital Reserve Fund balance was \$136,826, approximately \$13,000 short of its established limit.
- POATRI has not used funds from the Capital Reserve Fund, and the Contingency Fund has had only one permanent withdrawal, which was in 2012 for \$18,710 to renovate the pool.
- The Funds report was handed out at the Workshop meeting on Friday.

3/ 2016 COLA Report and Recommendation

The BFC provided the annual COLA report, recommending an increase to the POATRI assessment fee for 2016 of \$.74, bringing the assessment fee up to \$168.81.

4/ Capital Expenditures Recommendations – Summary:

Recommendations from Ed & Merrill as member of the BFC:

- Capital Expenditures be posted to the respective Capital Asset Accounts and not to Operations Expense accounts for the reasons presented in the report.

- Each Annual Budget should include Capital Expenditures, and items that cannot be done due to shortage of funds be carried forward in the budget until they are accomplished. In addition, even when funds are short, some amount for Capital Expenditures, should be included, in order to cover unplanned and emergency Capital Expenditures.
- The quarterly P&L statement should be enhanced to include Capital Income and Expenditure items, which will provide Board members and owners with a single Financial Performance Report that will provide a complete information as to POATRI's financial performance year to date.

A sample POATRI Financial Performance report will be sent via email to all Board members following the October meeting.

5/ Cabin Owner Discount Analysis – Preliminary Analysis

The BFC has been working on a project to analyze the impact of the Owner 50% discount that was implemented in Dec. of 2013. A preliminary analysis has been completed, but further analysis is needed to qualify the application of the discount to customers that may not be owners or family of owners. A report will be issued as soon as the validation and analysis of the data is completed.

The analysis is focused on the issue of using discounts to increase Supplemental income. The purpose of the study is to provide examples of the impact of the discount on Income under different assumptions – with and without the discount.

- Based on the assumption that the 50% discount did not impact owner decisions, and assuming we would have had the same number of owners staying at the lodge, then the amount of the discount, measured in July at approximately \$39,000 was the impact on Supplemental Income.
- Based on the assumption that the 50% discount did have an impact on the number of owners staying at the lodge, Supplemental Income was estimated to be higher with the discount, based on using historical owner occupancy information.

6/ 2016 Preliminary Budget

A preliminary 2016 Budget had been prepared by the BFC and will be sent to Board members within two weeks after the October meeting. We will request input on the overall budget and specific information for some budget categories from the Board in order to prepare a final budget for review at the end of the year.

Attachments:

1. Café Performance Analysis Report
2. History of POATRI's Capital Reserve and Contingency Funds
3. 2016 COLA Report
4. Capital Expenditures Recommendations
5. POATRI Financial Performance Report as of 9.30.2015

POATRI / Terlingua Ranch
Financial Performance Report
Includes both Profit & Loss and
Balance Sheet Performance
January through September 2015
10/24/15 Cash Basis

Profit & Loss Budget vs Actual

	<u>Jan-Sep 15</u>	<u>Budget</u>	<u>\$ Over/Under</u>
Ordinary Income/Expense			
Income			
4001 - Assessment Related Revenue			
4005 - *Association Assessments			
4035 - 2015 Assessment Revenue	390,237.31	392,522.00	-2,284.69
4011 - NRC Income	500.00	300.00	200.00
4012 - BVC Income	637.55	300.00	337.55
4013 - 2013 Assessment Revenue	10,805.98	11,653.00	-847.02
4014 - 2011 Assessment Revenue	2,327.28	3,440.00	-1,112.72
4015 - Volunteer Assessments	11,340.60	8,684.00	2,656.60
4017 - 2012 Assessment Revenue	6,322.01	6,480.00	-157.99
4018 - Prior Year Regular Assessments	7,019.84	8,732.00	-1,712.16
4019 - 2014 Assessment Revenue	25,958.57	25,675.00	283.57
4025 - SIA/SAC Supplemental Income	350.10	200.00	150.10
4030 - Assessment Interest, Late Fee	7,234.11	7,607.00	-372.89
Total 4005 - *Association Assessments	462,733.35	465,593.00	-2,859.65
Total 4001 - Assessment Related Revenue	462,733.35	465,593.00	-2,859.65
4020 - Property Auctions & Tax Sales	5,037.32	30,000.00	-24,962.68
4099 - Supplemental Revenue			
4150 - Lease Income	735.00		
4200 - *Cabin Income			
4210 - Room Rental Income	128,474.41	110,930.00	17,544.41
Total 4200 - *Cabin Income	128,474.41	110,930.00	17,544.41
4250 - RV/Campground Income	10,378.40	5,485.00	4,893.40
4300 - * Restaurant Income			
4310 - Food Sales	80,628.35	54,399.00	26,229.35
4311 - Alcohol Sales	6,558.22	9,599.00	-3,040.78
4315 - Bad Debt	-1,655.00		
Total 4300 - * Restaurant Income	85,531.57	63,998.00	21,533.57
4400 - Retail Sales	18,022.33	12,804.00	5,218.33
4500 - * Other Lodge Income			
4510 - Water Sales	5,734.43	8,178.00	-2,443.57
4515 - Pool Fees	1,270.00	1,000.00	270.00

4520 · Laundromat Revenue	5,561.75	5,251.00	310.75
4525 · Ice Revenue	3,429.50	2,550.00	879.50
4500 · * Other Lodge Income - Other	0.00		
Total 4500 · * Other Lodge Income	15,995.68	16,979.00	-983.32
Total 4099 · Supplemental Revenue	259,137.39	210,196.00	48,941.39
4600 · * Miscellaneous Income			
4526 · Timely Filed Discount	122.32	57.00	65.32
4610 · Interest Income	649.28	523.00	126.28
4615 · Donations	4.33	2,000.00	-1,995.67
4620 · Miscellaneous Income	1,427.36	751.00	676.36
Total 4600 · * Miscellaneous Income	2,203.29	3,331.00	-1,127.71
46010 · Returned Check Charges	0.00		
Total Income	729,111.35	709,120.00	19,991.35
Cost of Goods Sold			
5000 · * Cost of Goods Sold			
5100 · * COGS - Restaurant			
5110 · COGS - Food	44,346.74	26,549.00	17,797.74
5115 · COGS - Alcohol	2,585.33	4,032.00	-1,446.67
Total 5100 · * COGS - Restaurant	46,932.07	30,581.00	16,351.07
5210 · COGS - Retail	11,089.69	6,365.00	4,724.69
5220 · COGS - Ice	2,290.22	1,940.00	350.22
Total 5000 · * Cost of Goods Sold	60,311.98	38,886.00	21,425.98
Total COGS	60,311.98	38,886.00	21,425.98
Gross Profit	668,799.37	670,234.00	-1,434.63
Expense			
6000 · * Payroll Expenses			
6010 · Salaries and Wages	254,151.74	268,500.01	-14,348.27
6020 · Casual Labor	4,312.68	5,100.00	-787.32
6025 · Employer Payroll Tax	22,762.84	23,307.00	-544.16
Total 6000 · * Payroll Expenses	281,227.26	296,907.01	-15,679.75
6100 · * Utilities			
6110 · Electric	18,563.60	23,892.00	-5,328.40
6111 · Propane	4,987.27	3,749.00	1,238.27
6112 · Telephone	5,263.00	3,600.00	1,663.00
6113 · Garbage & Trash	4,708.82	4,801.00	-92.18
6114 · Water System	268.74	336.00	-67.26
Total 6100 · * Utilities	33,791.43	36,378.00	-2,586.57
6130 · * Insurance			
6139 · MDLive/Telemed	348.50		
6131 · Workers Comp	11,172.00	8,000.00	3,172.00
6132 · Property Insurance	16,353.73	17,000.00	-646.27
6133 · General Liability	6,084.78	6,250.00	-165.22
6134 · Directors E&O	3,840.76	3,000.00	840.76
6135 · Commercial Vehicle	5,410.00	6,000.00	-590.00
6136 · Heavy Equipment	3,017.90	2,500.00	517.90

6137 - Surety Bonds	100.00	100.00	0.00
6138 - Air Ambulance Insurance	0.00	0.00	0.00
Total 6130 - * Insurance	46,327.67	42,850.00	3,477.67
6150 - * Professional Fees			
6151 - Accounting	12,229.80	13,000.00	-770.20
6152 - Legal Fees			
6152c - Legal Fees - Assessments Issues	2,112.50		
6152b - Legal Fees - Road Issues	5,074.50		
6152a - Legal Fees - General	13,520.10		
6152 - Legal Fees - Other	218.50	37,500.01	-37,281.51
Total 6152 - Legal Fees	20,925.60	37,500.01	-16,574.41
6153 - Other Professional Fees	1,475.00	1,500.01	-25.01
Total 6150 - * Professional Fees	34,630.40	52,000.02	-17,369.62
6155 - Lawsuit Expenses			
6161 - Mead Lawsuit	0.00	0.00	0.00
Total 6155 - Lawsuit Expenses	0.00	0.00	0.00
6200 - * Heavy Equipment Expense			
6201 - Heavy Equipment Repair	3,927.48	13,500.00	-9,572.52
6202 - Off Road Diesel	8,071.47	8,250.01	-178.54
6203 - Road Expense Miscellaneous	2,195.53	2,250.00	-54.47
6200 - * Heavy Equipment Expense - Other	0.00	0.00	0.00
Total 6200 - * Heavy Equipment Expense	14,194.48	24,000.01	-9,805.53
6300 - * Vehicle Expense			
6301 - Gasoline	8,572.74	9,375.01	-802.27
6302 - Diesel	1,666.90	1,500.01	166.89
6303 - Vehicle Repair	4,275.25	5,250.01	-974.76
6304 - Vehicle Miscellaneous	0.00	475.00	-475.00
Total 6300 - * Vehicle Expense	14,514.89	16,600.03	-2,085.14
6400 - * Supplies & Equipment			
6425 - Restaurant Supplies	7,408.51		
6410 - Housekeeping Supplies	3,534.68	5,325.01	-1,790.33
6415 - Maintenance Supplies	5,540.25	4,875.01	665.24
6420 - Small tools & equipment	3,296.83	3,750.01	-453.18
Total 6400 - * Supplies & Equipment	19,780.27	13,950.03	5,830.24
6450 - * Repairs & Maintenance			
6451 - Bldg/Structure Repairs & Maint	30,865.80	22,500.00	8,365.80
6452 - Equipment Repairs	4,922.38	1,875.01	3,047.37
6453 - Housekeeping	20,325.50	20,057.00	268.50
Total 6450 - * Repairs & Maintenance	56,113.68	44,432.01	11,681.67
6500 - * Office Administrative Expense			
6510 - Office Supplies	3,854.70	2,497.00	1,357.70
6511 - Printing	0.00	0.00	0.00
6512 - Postage & Shipping	1,819.31	3,750.01	-1,930.70
6513 - Communications	1,250.20	1,125.00	125.20

6514 · Credit Card Fees	9,746.55	8,163.00	1,583.55
6515 · Newsletter	3,212.50	4,500.00	-1,287.50
6516 · Office Equipment	59.81	1,500.01	-1,440.20
6520 · Misc. Office Admin.	1,001.38	1,200.01	-198.63
Total 6500 · * Office Administrative Expense	20,944.45	22,735.03	-1,790.58
6550 · * Other Administrative Expense			
6551 · Mileage Reimbursement	185.33	188.00	-2.67
6552 · Licenses and Permits	3,225.61	2,475.00	750.61
6553 · Dues & Memberships	706.67	599.00	107.67
Total 6550 · * Other Administrative Expense	4,117.61	3,262.00	855.61
6560 · Property Tax	-155.09	0.00	-155.09
6575 · Software Maintenance & Upgrades	3,094.70	2,500.00	594.70
6600 · * Property Transfer Expense			
6610 · Filing Fees	144.69	750.01	-605.32
6611 · Tax Sale & Auction Expenses	0.00	0.00	0.00
6612 · Misc Collections Expense	0.00	0.00	0.00
Total 6600 · * Property Transfer Expense	144.69	750.01	-605.32
6700 · * Advertising & Promotion			
6715 · Bands & Entertainment	443.92		
Total 6700 · * Advertising & Promotion	443.92		
6900 · * Miscellaneous Expense			
6910 · Cash Over/Short	0.00		
6915 · Miscellaneous Expense	417.06	150.00	267.06
Total 6900 · * Miscellaneous Expense	417.06	150.00	267.06
Total Expense	529,587.42	556,514.15	-26,926.73
Net Ordinary Income	139,211.95	113,719.85	25,492.10
Net Income	139,211.95	113,719.85	25,492.10
Capital Revenue			
1350 - Auction Property Tracts / Sales	26,438.00	0.00	26,438.00
Net Income and Capital Revenue	165,649.95	113,719.85	51,930.10
Capital Expenditures			
1600 - Fixed Assets			
1602 - Building & Equipment	6,000.00	6,000.00	0.00
1606 - Improvements	9,020.00	6,500.00	2,520.00
Total Capital Expenditures	15,020.00	12,500.00	2,520.00
Total POATRI Net Performance as of Sept 30, 2015	150,629.95	101,219.85	49,410.10

History of POATRI's Capital Reserve and Contingency Funds

Prepared by the Budget & Finance Committee 8/26/2015

At the request of the Treasurer, the BFC has prepared a report showing the activity related to the Capital Reserve and Contingency Funds, in order to provide a historical reference and current status information on the Funds. This report consists of a brief overview below of the Funds, and a spreadsheet report for each of the Funds, showing all activity since the implementation of the QuickBooks Accounting System in 2005.

The Capital Reserve Fund history can be documented from 2005 when POATRI adopted QuickBooks, and an account balance of \$17,655.76, from prior years, was entered into QuickBooks under account number 1015. The intended use of the Capital Reserve Fund was to set aside money for future capital projects. This account had little growth during 2006 and by the beginning of 2007 had only increased in value to \$17,743.97. In 2007 POATRI's Board of Directors (BOD) recognized that something had to be done as the local banks were hesitant to loan money to POATRI for capital projects such as replacement of road graders, building repairs and infrastructure improvements as POATRI had little or no money set aside for contingencies.

The 2007 BOD took the bold step of implementing a special assessment of \$100 to all property owners known as the Non-Recurring Charge or NRC. The intent of the NRC was to provide funds for Capital Projects along with the establishment of a new Contingency Fund that would in effect let POATRI maintain a line credit with the local banks and also allow POATRI to borrow from itself during those months when operating cash income was minimal. The Contingency Fund would also allow POATRI to pay the legal expenses resulting from a lawsuit filed against POATRI. The revenues from the NRC were to be split between Operations, the Capital Reserve Fund (QB account 1015) and The Contingency Fund, which was established in 2007 as QuickBooks account 1017.

POATRI management began to immediately use the Contingency Fund during 2007 when \$48,200 was borrowed for Operations requirements. Additionally, \$15,020 was borrowed from the Capital Reserve Fund, for a total 2007 loan of \$63,220 to support operations. In 2008 \$64,041 was repaid to the Contingency Fund, and again money was borrowed late in the year to support Operations in the amount of \$77,499. During 2009 \$77,656 was redeposited by Operations into the Contingency Fund.

The attached Spreadsheet provide a history of the balances and all the major transactions for each of the accounts (QuickBooks 1015 and 1017) and the Certificate of Deposit Accounts (Quickbooks 1018 and 1019) for the period from 2005 through August 13, 2015. Sheet1 provides history for the Capital Reserve Fund and Sheet2 for the Contingency Fund.

Parameters for Each Fund

Capital Reserve Fund

- Fund Level: established at \$200,000.
- Purpose: to be used for Capital Repairs and Improvements to POATRI assets.

2016 COLA Report for the POATRI Board OF Directors

Provided by the BFC on 10/9/2015

(This Report is to be attached to the Oct 2015 Board Meeting Minutes)

2016 COLA Report

1/ The Cost OF Living Allowance (COLA) increase for 2016 Assessment is calculated to be \$0.74 which will provide an annual assessment of \$168.81. This is based on a 0.442% average of the previous 12 months of Consumer Price Index (CPI) information, in accordance with POATRI Bylaws Section 4.01.f. The calculation is provided in Appendix A of this report.

2/ The Budget and Finance Committee (BFC) suggests that the COLA increase be implemented for 2016 based on the following information.

- No cash surplus is projected for 2015 as the 2015 Budget (Operations and Capital), was approved with several Capital Projects “placed on hold” due to insufficient revenue sources to include them in the 2015 Approved Budget at that time. These Capital Projects should be reevaluated and prioritized by the Board for completion during the 4th Quarter of 2015, or any available cash at year’s end should be designated for these specific Capital Projects and carried forward to the 2016 Capital Budget for those projects deemed necessary to maintain the integrity of the vehicles, equipment, structures and infrastructure of POATRI.
- The COLA increase is the only way POATRI can keep up with inflation. The COLA is essential for POATRI to maintain and improve facilities to attract business.
- An analysis of the cost to POATRI of not implementing the COLA for 2016, as shown in Attachment B, will cost POATRI over \$18,000 dollars over the next 10 years at the very low compounding rate of 0.442%.
- Not implementing the COLA increases each year not only permanently reduces POATRI’s revenue, but also places a burden on future Boards.

BFC Recommendation

The BFC recommends that the 2016 COLA be implemented so that POATRI can continue with needed repair and maintenance projects, and continue improving facilities and equipment through Capital Expenditure Projects. If the 2016 COLA is not approved, POATRI will not be keeping up with inflation.

Attachment A

Cost of Living Allowance (COLA) Calculation) For 2016 Annual Assessment

Prepared by the BFC October 9, 2015

Month	Year	12 Month CPI % Change	12 Month Average %	Annual Assessment Calculation	Change in Annual Assessment
Aug	2014	2.3%	1.467%	\$ 168.07	\$ 2.43
Sep	2014	2.7%	1.667%		
Oct	2014	2.5%	1.833%		
Nov	2014	2.0%	1.925%		
Dec	2014	1.3%	1.942%		
Jan	2015	0.2%	1.867%		
Feb	2015	0.1%	1.783%		
Mar	2015	-0.3%	1.625%		
Apr	2015	-0.8%	1.400%		
May	2015	-0.5%	1.133%		
Jun	2015	-0.2%	0.950%		
Jul	2015	-0.7%	0.717%		
Aug	2015	-1.0%	0.442%		

2015 Annual Assessment \$168.07

0.442 % of 2015 Annual Assessment \$ 0.74

2016 Annual Assessment \$168.81

Monthly Percent Change derived from:
United States Department of Labor
Bureau of Statistics
All Urban Consumers – South Urban
Consumer Price Index (CPI)
Table 10 – Size D Nonmetropolitan (less than 50,000)

Attachment B

Revenue Generated By The 2016 Cost of Living Allowance (COLA)

Prepared by the BFC October 9, 2015

Year	Annual COLA at 0.442% (\$0.74 for 2016)	
	Revenue with 2,400 Property Owners Paying	Cummulative Revenue With 2,400 Property Owners Paying
2016	\$ 1,776	\$ 1,776
2017	\$ 1,784	\$ 3,560
2018	\$ 1,792	\$ 5,352
2019	\$ 1,800	\$ 7,151
2020	\$ 1,808	\$ 8,959
2021	\$ 1,816	\$ 10,774
2022	\$ 1,824	\$ 12,598
2023	\$ 1,832	\$ 14,430
2024	\$ 1,840	\$ 16,270
2025	\$ 1,848	\$ 18,117

**POATRI Capital Expenditures
Recommendations Provided by
Ed & Merrill, BFC members, 10/22/2015**

As we enter the budget planning process for 2016, we would like to recommend the following procedures with regard to Capital Expenditures and Financial Reporting.

1/ Capital Expenditures be posted to the respective Balance Sheet asset accounts instead of to Operations P&L accounts as has been done in 2015. The reasons for this recommendation are:

- There is no advantage to POATRI to charge capital expenditures to Operations expense accounts as the impact on cash flow and POATRI's financial condition are the same as posting to the asset accounts.
- Capital Expenditures should be capitalized and tracked in the asset accounts in order to manage when these assets should be refurbished or replaced. When Capital Expenditures are not posted to the asset accounts, there is no record of asset purchases, the cost or timeframe, and this information is essential for forecasting and future cash flow planning.
- Where Capital Expenditures are charged to Operating Expense accounts we can no longer measure operating performance against budget, and, this practice distorts both the P&L and the Balance Sheet. It also prevents POATRI from appropriately using Depreciation to spread the cost of assets over the life of the assets.
- For accurate financial reporting, only depreciation on capital assets/projects should be charged to the Operations Expense, not the whole cost of asset. Because the cost and timing of asset purchases varies greatly, the Operations P&L is significantly distorted when capital projects/expenditures are charged to the Operations P&L.
- As we mentioned in our BFC meeting, we are not indicating that small items such as boxes of nails and screws must be charged to an asset account, which was a concern. We are referring to projects like the Kitchen Renovation, costing over \$6,000, and having a life span of several years.
- Charging Capital Expenditures to Operations Expense accounts has already distorted account 6451, Building Structures Repairs and Maintenance, and account 6452, Equipment Repairs. Using these accounts for unplanned but necessary Capital Expenditures has caused account 6451 to be \$9,000, or 53%, over budget, and account 6452 to be \$3,400, or 230%, over budget, 7 months into the year. The effects of these over budget categories carry forward to the overall P&L, and, POATRI does not have a record of these projects or asset purchases in our Capital Asset accounts.

2/ The 2016 budget, and all future budgets, should include an amount for Capital Expenditures.

- POATRI has a 1.5 million dollar asset base that consist of road equipment, buildings and structures, and an infrastructure of plumbing, electric and septic systems. To maintain the functionality and value of these assets requires a reasonable annual capital investment.
- With these types of assets it is reasonable to expect that each year there will be a requirement to refurbish and/or replace some of these assets, i.e. something will break and the capital expenditure cannot be put off until the next year. Even when available funds are tight, it will be better for POATRI to plan for some amount of emergencies or requirements rather than be surprised with no funds

budgeted. This happened in 2015 as a result of 2 major asset purchases that were committed in the previous year, a

requirement to renovate the restaurant kitchen, and a few other Capital Expenditures which caused two Operations accounts, as described above, to be significantly over budget.

- When projects related to refurbishing and replacing assets are not done when needed or planned (because funds are not available) they should be carried forward in the planning and budgeting process. These types of projects are cumulative (as opposed to enhancement type projects), and should be accounted for in the budget process.

We suggest that these two accounting practices are essential for accurate reporting of POATRI's financial condition, and for accurate planning and budgeting. Implementation of these practices does not require a resolution, only a decision by the BOD with instruction to the bookkeeping function, and inclusion of Capital Expenditures in the budget process.

3/ Finally, we recommend that the Quarterly Profit & Loss financial statement be modified to become a Quarterly Financial Performance Report for POATRI.

- This report is done by taking the P&L generated from QuickBooks, and adding Capital Revenue and Expenditure items that are part of the budget.
- This will add less than one page to the current 4 page P&L report, and it will provide to the Board and Owners a total financial performance report that will include all sources of revenue, all expenditures, and the net Cash position for POATRI.
- The format for this Financial Performance Report is already used in the budget worksheet process, and this report format was used for several years up through 2009.