

38TH ANNUAL MEETING WILL BE JUNE 26

The 38th Annual Meeting of LMOA Members will be held on Saturday, June 26, 2010, in the Clubhouse. The meeting will be called to order at 10AM and will go immediately into recess until 1PM, during which time members in good standing who have not already voted by Proxy may vote by Ballot. The meeting will be called back into order at 1PM in the Terrace Room to complete the business of the annual meeting.

There are two items on the annual meeting agenda for member vote: Proposal #1 is a Board proposal to increase the member contribution to reserves; Proposal #2 is the election of two directors. The terms of President Leighton Cumming and Vice President John Platt will expire at the meeting.

Board Proposal: The Board is asking members to support a proposal to increase the member contribution to reserve funding in the form of a \$108 increase in annual dues, which would be dedicated to reserves for the repair and replacement of major assets. According to an independent reserve study, which State law requires of homeowners' associations, LMOA's reserves are not funded sufficiently to effectively care for community property and maintain property values. The additional contribution would strengthen the members' investment in the community's future. For more information about the proposal, see the Treasurer's Report, which begins on page 4.

Election of Directors: There will be two vacancies on the Board of

Directors this year. Four LMOA members followed the required petition process to declare their intent to run for election. The Board met in special open session on April 1 and declared that all four petitioners had fulfilled qualifications and petition requirements of the Bylaws and are certified as candidates. The candidates are Gary M. Dillon, Gerald (Jerry) D. Guske,

Nathaniel Britton (Britt) Johnson III, and Susan (Su) Wolff. The two candidates who receive the greatest numbers of votes will be elected to three-year terms, ending June 2013.

For more information about the candidates, see the article beginning on page 6.

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LMOA CHOOSES NEW TRASH/ RECYCLING SERVICE

At its April 22 regular monthly meeting, the Board of Directors authorized a contract with SDI/Kerkim, LLC, to provide trash and recycling services for the Lake Monticello community. The service will be "single stream," meaning that residents will no longer have to separate their trash and recycling. They will place all their refuse into a single 96-gallon wheeled container with top, which will be emptied into a single SDI truck and taken to Van der Linde Recycling Center at Zion Crossroads for sorting.

The result will be a greater quantity of material being recycled. (See note on next page.)

SDI/Kirkim is a family-owned, certified Small, Minority Women-Owned household solid waste collection and recycling company, headquartered in West Point, VA. SDI currently serves clients in Charlottesville and Culpeper, as well as other Central and Eastern Virginia localities, for a total of more than 70,000 households and 2,000 commercial customers.

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GENERAL MANAGER'S REPORT

When I moved from the shores of Lake Superior in the Upper Peninsula of Michigan to come to Lake Monticello, I thought I had left severe winter storms behind. This past winter proved me wrong. Hopefully, winters like the one we just experienced will be few and far between. It has taken over two months to clean up all the trees that fell on LMOA common property as a result of the storms. Thank you to all our staff, contractors and volunteers who helped us during this difficult period. The collection sites for downed tree parts at Tufton Pond and Bunker Ball Field proved to be a hit with residents. Our LMOA crew and landscaping contractor created mountains of wood chips for residents' use. If wood collection and chipping is to continue

in future years, we will need to budget funds for this activity.

In March, 104 muskrats were removed from the main lake and golf course ponds. Muskrats have caused serious problems during the past year by chewing the wiring on pontoon boats and burrowing into the lake shoreline and behind shoreline bulkheads.

On January 14, 2010, the LMOA request for a one-year extension to January 31, 2011 of our main dam certification was approved by the Virginia Department of Conservation and Recreation. Our application for a five-year certification is being processed. The LMOA Solicitation and Contract Review Committee is preparing the scope of work for the selection of an engineering firm to assist with the implementation of projects necessary to bring our main dam into compliance with the new Virginia Dam Regulations for certification.

Effective June 1, 2010, LMOA will have a new three-year contract with two

one-year extensions for our trash collection and recycling. This service will differ from our present service in that residents will not be required to separate recycled material from trash. Residents will place all discarded material into one container for pickup. Detailed information regarding the transition from Waste Management to SDI/Kerkim, LLC, will be published in advance of the change.

LMOA has installed a new pool chlorination and filtration system. This system includes the sand filters, the chemical application system and pump and the vacuum system. The existing chemical application system will be replaced with a saline chlorinator, which will minimize problems with high chlorine levels, algae blooms and downtime required to correct these problems.

John Korhonen
General Manager

LAKE MONTICELLO NEWS

The *Lake Monticello News* is published four times each year by the Lake Monticello Owners' Association to provide news and information about LMOA policies, procedures and events to members, under the guidelines of the LMOA Policy Manual, Section 15.08. The editorial staff is responsible for its content within the policies set forth by the Board of Directors. Unless otherwise noted, articles were written and photos taken by editorial staff.

The next regular issue of the *Lake Monticello News* will be Summer/Fall 2010. Please direct inquiries to

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Board of Directors

Leighton Cumming, President
John Platt, Vice President
Don Fickes, Secretary
Mike Harrison, Treasurer
Scott Meiss
Ray Gott
Benita Ellen

John Korhonen, General Manager

LMOA CHOOSES NEW TRASH/ RECYCLING SERVICE

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The cost of trash and recycling is covered by the annual Improved Property Fee (IPF), which homeowners pay at the same time as their member dues each year. The Board will decide if it will be necessary to raise the annual Improved Property Fee, which covers the cost of trash and recycling services.

The transition from Waste Management, Lake Monticello's contractor for the last 10 years, will be effective the first of June. Residents will be informed of the details about the exchange of containers, pickup

schedule and other procedures with a flyer that will be distributed to mailbox cubbyholes and posted on the LMOA website at www.lmoa.org. The Friday Flyer, website and cable TV channels 10 and 14 will provide updates as the change approaches.

Note: Lake residents currently recycle approximately 15% of their total refuse. With the new disposal system, it is estimated that the amount of recycling could double.

PRESIDENT'S REPORT

Spring is in the air, and residents' thoughts are shifting to vacations, fresh tomatoes and fun in the warm sunshine! After a winter of dealing with record-breaking snowfalls, downed trees and the loss of electricity and phones, we all deserve the relief and promise that Spring brings. Yet, community issues continue to simmer, so before we take that much-deserved break from serious thought, please consider the following:

LMOA hired Reserve Advisors, the leading independent provider of reserve studies for community associations, to conduct a "Property Replacement Reserve Study," as mandated by the State of Virginia to be performed every five years. In the 2010 study, 215 major elements were identified that are likely to require major repair or replacement during the next 30 years. Those major assets include the clubhouse, beaches, marina, playgrounds, swimming pool, tennis courts, basketball courts, maintenance facilities, gate house, operations building, golf course, the lake, roads and all the elements that are part of the infrastructure.

As part of the process, Reserve Advisors looked at our reserve funds (the money we set aside, or should set aside, to fund major repairs and replacements), income and cash flow. Following their assessment of needed repairs and replacements and the current funds already set aside to pay for those repairs and replacements, they recommended the amount of money we should be setting aside now and in future years.

Taking one example, the clubhouse, let's look at how Reserve Advisors examined our facilities and made their recommendations. Staff and the Buildings, Roads and Grounds Committee provided information about the condition of the building. The building was constructed in the early 1970s and is in fair overall condition.

The Reserve Study contains the cost of repairing or replacing elements of the exterior and interior of the building, the information technology used, building systems and equipment and site elements. To further describe the elements of this example that were used in the study, the exterior includes wood decks, an asphalt shingle roof, masonry walls and wood siding. The Study recommends replacement of the roof (\$35,568) and doors and windows (\$58,570) by 2012 and repair to the wood siding (\$19,888) by that same date. This is just one of many valuations that were performed for all our assets. I hasten to add that staff, the committees and the Board look carefully at these recommendations during the budget process each year to determine if we can make it through another year without repairing or replacing assets.

Following the assessment of the condition of our buildings, facilities, equipment and other major assets, Reserve Advisors examined our capacity to pay for necessary repairs and replacements. This is where we came up short. Last year's dues increase helped by allowing us to pay the day-to-day cost of running the Association from dues, rather than dipping into investment income. According to the Study, we need an average of \$498,412 more per year for the period of 2011 to 2015 than we will have from dues, fees and investments or from money already set aside for reserves. That's a total of \$2,492,060 for the 2011-2015 period, or \$108 per lot per year, hence the amount of increase in annual member dues that the Board is asking members to approve for reserve funding. The current Board has stated that if the members approve the additional \$108 for reserves, it will not raise the reserve contribution again during the 2011-2015 time period.

Is a dues increase the only way to fund

the reserve shortage? With an anticipated shortage of more than nearly \$2.5 million for reserves for 2011-2015, there are several ways we could come up with funds to cover the shortage. We could

1. make a special assessment in any year the reserve falls short (with member approval), or
2. borrow the needed funds for major projects, or
3. raise dues to increase reserves (with member approval).

Reserve Advisors recommends the third choice of raising dues for reserves. Reserve funds can earn interest, reducing the amount needed over the long term, and we would avoid the higher cost of repaying loans.

Times are tight, although improving somewhat, but many of our residents are still suffering. So why is it so important for a greater reserve contribution now? The basic answer is that we either pay \$108 more toward reserves beginning January 2011 or face the likelihood that the impact will be even greater next year because there will be less time to save up the necessary funds.

The need is there. I am asking you to weigh the choices carefully. Are you willing to approve a \$108 dues increase now and lock in that annual reserve contribution until 2015, or will you choose to risk even greater cost later?

The 2010 Reserve Study is on the LMOA website. Keep in mind that it is a living report, which is updated annually.

Leighton H. Cumming
LMOA President

TREASURER'S REPORT

As I write this, LMOA has just completed its first budget quarter, awarded a major contract for waste disposal, got out of the food service business at the Eagles Nest and is preparing to do the same with the pool snack bar. In 2009, the Eagles Nest operated at a loss of \$72,325, and the pool snack bar lost \$11,649, for a total loss of \$83,974 that will not be repeated in 2010. The new professional management of the Eagles Nest also operates the Dogwood Restaurant, just outside the Slice Gate. The new operation is full service, offers freshly prepared food daily and has been well received. I encourage all our members to support this local business by eating at the Eagles Nest. We expect to make a decision about the pool snack bar before the pool season begins at the end of May. *[See the Winter/Spring 2010 issue of the Lake Monticello News for details about the Eagles Nest transition.]*

The waste disposal contract will lead to a new company serving our community. On June 1, we will transition from Waste Management, which has served Lake Monticello for the last 10 years, to SDI/Kerkim LLC. *[For more information about the new contract, see the article on page 1.]* We expect that the cost will be slightly higher than what homeowners have been paying for trash and recycling service in the recent past. The Board will determine whether or not to raise the annual Improved Property Fee to cover the difference. The fee, currently at \$150, not only pays the cost of solid waste pick up and disposal, it also pays for snow and ice removal from roads.

Figure 1 is from my April Treasurer's Report for the three months ending March 31. You can see the full report on the LMOA website at www.lmoa.org in the Library under Board of Directors Meetings, Board Packets, April 22, 2010. I wanted to highlight the increases in expenses in

Figure 1. Income and Expense Summary for March

Income and Expense Summary			
3 months ending March 31, 2010			
	YTD Actual	YTD Budget	Variance from Budget
Income	\$ 1,207,996	\$ 1,203,956	\$ 4,040
Expenses	\$ 1,103,143	\$ 1,035,020	\$ (68,123)
Net Income	\$ 104,853	\$ 168,936	\$ (64,083)

the first quarter of the year, resulting from two items. The first is the expense of recovering from the record snowfalls this winter. We required contractor help to assist our maintenance staff in digging out. We also used contractor help with the cleanup of the many downed trees on roads and other common property all over the community. The second is based on the recommendation of the Golf Maintenance staff to buy 2010 golf course chemicals in bulk to save money on both the chemicals and the delivery charges. Staff is going after savings wherever they can find them. The variation over the budget for this period should settle out over the next month.

After more than six months of comments, committee meetings and Board work sessions, LMOA has finally completed updates to its financial management policy. Policy Manual (PM) 4.02A, has been modified to clarify accounts and budgeting and to make the distinction between operations and reserves (capital components that must be repaired, replaced or refurbished). If you are interested in learning more about the different accounts and what they are used for, go to the online LMOA library, Governing Documents, Policy Manual, and select PM 4.02A. It explains where the money you pay in dues and fees is spent.

Funds were provided early this year to replace the swimming pool filtration and treatment system. In recent years, we have experienced algae blooms that

closed the pool, and, at times, the treatment resulted in an elevated chlorine level. We have upgraded the pool to what is called a salt-water pool. (No, you will not be swimming in the Great Salt Lake.) The salt level is quite low; in fact, you cannot taste it. But as the water is pumped through the filtration system, electrodes break the salt down to sodium and chloride ions that kill growth of bacteria, algae and mold in the water. The ions then recombine to form salt, and the process starts again. This system will reduce our costs for chemicals, increase your enjoyment of the water and make the operation more people- and environmentally-friendly.

This upgrade to the pool system is an example of a capital cost covered by funds we call "reserves." Reserve items are anything that has a value of \$1,000 or more. It includes replacing computers, tractors, police vehicles, resurfacing roads, rebuilding greens at the golf course, replacing boat slips in the marina basin and much more. Reserve items are an important part of retaining value for the community. The Board of Directors is asking you to increase your dues by \$108 to cover reserve costs.

I know this is a tough time, what with the water bills, Fluvanna County's tax rate increase and other increases. Now the Board of Directors wants \$108 more. Every five years, State Law (Virginia Property Owners' Association

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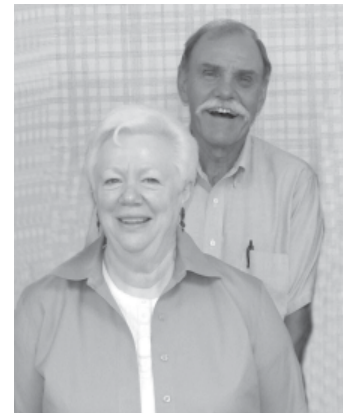
SALUTING THE LAKE MONTICELLO SPIRIT OF LEIGHTON CUMMING AND JOHN PLATT

The terms of two members of the Board of Directors will end at the Annual Meeting in June. Leighton Cumming and John Platt were elected to the Board at the 35th Annual Meeting in 2007. During their three year terms, both Leighton and John generously shared their time and talents for the benefit of the community.

Leighton became President in her second and third years on the Board and continues to serve in that capacity. Prior to being elected to the Board, she was appointed in 2005 to the Solicitation & Contract Review Committee, which reviews and advises the Board on all LMOA solicitations of \$10,000 or more. She became Chair later that same year, a position she held until she resigned after election to the Board in June 2007. As President, Leighton has served admirably during a period of severely limited resources to cover expanding needs, and led a successful campaign in 2009 for the first significant dues increase for operations in recent memory.

John Platt became Secretary of the Board when first elected, a position he held for two years. During his third year on the Board, he became Vice President and continues in that position. Before running for the Board, John was active in planning and implementing LMOA social and recreational activities, including the popular Lake Monticello 5-K Spirit Run, which has flourished under his leadership since 2005. He was a member of the Social & Recreation Committee for two years and, in 2009, he was appointed interim Chair of the Election Committee for the 37th annual meeting.

LMOA and the community have benefited greatly from the dedication and commitment of both Leighton and John, and we are sincerely grateful for their service.



TREASURER'S REPORT

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Act [POAA]) requires that homeowners' associations conduct a reserve study. We use an independent contractor who is an expert on reserves. The reserve study looks at the community, identifies major assets, examines the condition, and identifies the useful life of the item or facility. The contractor then sets a schedule for recommended replacement of reserve components. It may be a roof replacement or road resurfacing. If we are to keep up with our reserve obligations, this type of work should not be deferred. The list of things not getting done in 2010 due to lack of reserve funding was included in my April Treasurer's Report and also is printed on page 8.

The reserve study is not perfect. It is missing some equipment, and there is disagreement on road repair strategies between LMOA and the independent contractor. The reserve study calls for milling and resurfacing, and LMOA

believes we need to build our base by resurfacing with a 2-inch overlay. There is a significant difference in cost if we avoid the milling operation (chewing up existing roadway). These corrections will be made in the required annual update to the study. Fortunately, the roadwork does not start during the period we are asking for the \$108 increase over the next five years. Your member contribution to reserves is tied to the 5-year cycle of the mandated reserve study.

"But wait," you may say. "I already contribute to reserves." Yes, each member does, specifically for lake health and roads through dedicated portions of annual dues. Also, a portion of the \$130 increase members approved for 2010 goes to reserves. Approximately \$8.5 million is needed over the next five years to cover the recommended reserve funding levels. \$6 million is covered by budgeted activities from dues, fees and investment income. This leaves \$2.5

million of the recommended reserve level uncovered, roughly \$500,000 per year divided by 4,635 lots. That is where the \$108 comes from. This is the amount of increase in annual dues needed in addition to current member contributions to reserves.

The Board has done its job: It has cut budgets in 2008 and 2009 and controlled costs. The staff continues to work on finding additional savings. You supported a \$130 increase to cover operations and to free-up investment income to go toward reserves. Now it is time to fix the balance in reserve funding that is needed so that we can replace what is worn out. There are no new clubhouses or marina buildings included in calculating this number. No new starts are in the budget. We need to stay focused on fixing what we have.

Mike Harrison, LMOA Treasurer

[Note: The complete 2010 LMOA Reserve Study is on the website at www.lmoa.org, Library, General Information, Financial Information.]

HOW WOULD CANDIDATES HANDLE DAY-TO-DAY CHALLENGES?

The dynamic of the Board of Directors will change this year, as it does every year, as voters fill at least two vacancies on the seven-member Board at the annual meeting in June. The incumbent directors offer experience and understanding of the community, the Association and the issues. The new directors offer new ideas, fresh views and the opportunity to rally greater community involvement. It is the expectation of the voters that the combination will energize the Board as a whole and promote the Lake Monticello Spirit.

Four LMOA members were certified as candidates for the Board of Directors election this year – Gary M. Dillon, Gerald (Jerry) D. Guske, Nathaniel Britton (Britt) Johnson and Susan (Su) Wolff. Each candidate is unique, and all four have a lot to offer the community. Members may vote for not more than two of the candidates when they complete their proxy or ballot. (The Bylaws do not permit write-in votes.)

The candidates' biographical statements provide background information, related experience, goals and more. This basic information is included as a vital part of the Notice of Annual Meeting, which will be mailed to LMOA members at the end of May. To generate additional input, we posed to all four candidates a set of six questions about timely and relevant issues. The candidates were given the option to answer any three or more of the questions. Some answered all six questions, others chose to focus on fewer. The questions follow, with candidates' answers printed alphabetically:

1. If you are elected, how will you go about learning about the community, the association and the challenges that need to be addressed in the short and long term?

Gary Dillon: *I am familiarizing myself with the Association's governing documents, financial documents, policies, etc. I support correct business process and management through the policies to keep the corporation stable and transparent. The BOD's approval of Policy 4.02A was a big step forward in developing improved*



Gary Dillon



Jerry Guske



Britt Johnson



Su Wolff

financial control. Fluvanna Online provides great insight into the views of many property owners. The challenges are apparent from watching the BOD meetings, listening to the property owners on Fluvanna Online and talking to people within the community.

Jerry Guske: *I'm confident that present and past Board members and Staff will share with me their thoughts and insights into the challenges facing our community. As the chair of Safety & Security, an alternate with the Environmental Control Committee (ECC) and a member of the Broadcast Group, I have already gained substantial knowledge in this regard, having interacted with members of the Board, the general manager, staff and residents, thereby affording me many of the necessary skills and knowledge base to be an effective member of the Board.*

Britt Johnson: *I am a firm believer in being a part of the community. I have a good working knowledge of this community as I have lived here since 1996, worked as the head of maintenance, have served on committees both here and outside LMOA, and have volunteered on projects and fundraisers. Currently as Chair of Buildings, Roads and Grounds, I am familiar with our needs for funding future maintenance and replacement expenditures, as well as our day to day need for operations.*

Su Wolff: *LMOA.org is a great reference. But "community" is not just a neighborhood, it is comprised of individuals. For me, the best way to learn about our community is asking as many questions as possible. I have already been doing this as a candidate. I have heard many positive things, and many concerns;*

everything from resistance to increasing dues, the deer/muskrat problem, to concerns about fire hydrants. Establishing priorities is a major challenge facing the Board.

2. What do you believe are the three most important issues facing Lake Monticello at this time?

Gary Dillon: *1. LMOA Financial Crisis; 2. Condition of the Dam; 3. Reserves*

Jerry Guske: *Reducing the significant losses incurred in maintaining (some) amenities; addressing the need to fund our neglected infrastructure; assuring our residents that the members of the Board are acting in the best interests of the community at large.*

Britt Johnson: *Improve our success in communicating between homeowners, committees and the Board of Directors with open dialogue. The Board of Directors needs to utilize the committees and volunteers in such a way that respects their contributions which will build community spirit and participation.*

Su Wolff: *a. Money – The Board must balance community needs with fiduciary responsibilities, to fund mandated projects and increase reserves. b. The Dam – What repairs to the main dam will the state require? In the near future, the Board will have to figure out how to fund the repairs. c. Water – Where will our water come from in the future? This is one of the areas where we must have input on the Board of Supervisors' decisions.*

3. Lake Monticello thrives when members become involved, either by volunteering for projects, committees or

HOW WOULD CANDIDATES HANDLE DAY-TO-DAY CHALLENGES?

the Board, or simply by participating in community activities. How would you, as a director, reach out to residents who aren't usually involved and get them involved?

Gary Dillon: Obviously in my contacts with property owners, I will encourage them to join LMOA committees, assist with community activities and/or join the LMOA Fire & Rescue. However, we need to foster a renewed sense of community at LMOA. When property owners speak at meetings, we must show respect and interest in what they say. When property owners ask questions, we should answer them. Most importantly, perhaps, we must value the committees and seek their input. We should work to reach people where they are and during times that are convenient for working residents. I am also a strong supporter of using the internet and social media such as Facebook and Twitter.

Jerry Guske: The complaint voiced most often appears to be that committee members are poorly utilized or are excluded entirely from the decision making process. Committee participation is necessary for the Board to act intelligently, and members must be assured that their input will receive appropriate review.

Britt Johnson: Common sense dictates we take advantage of utilizing cost effective web based systems to increase our efficiency, reduce operational costs and improve service to our members. Just think about all the ways you currently interface with your bank, your medical treatment, shopping, etc. Shouldn't we employ the same level of technology here? Utilizing technology such as this will help us with analyzing and planning our budgetary requirements

4. What do you believe is most in need of attention to improve quality of life at Lake Monticello?

Gary Dillon: LMOA needs to seriously focus on cutting costs in all areas. Projects need to be reevaluated; equipment needs to be inspected to determine if we can better maintain it to extend its life in order

to postpone buying replacements. Protecting of existing buildings and existing amenities protects the image of the community as to value and proper business management. This means to put a high priority on Reserves and preventive maintenance.

Jerry Guske: I would like our volunteers to receive greater recognition for all their efforts. Maybe portrait-style pictures, highlighting an individual's participation, say six participants or so at a time, and have them shown on our cable channel on a rotating basis.

Su Wolff: Maintaining the existing amenities: the lake, the golf course, the playgrounds, the beaches, the pool, and the tennis courts. We should look for ways to add new amenities, such as walking/hiking trails and expanding opportunities for residents of all ages to share activities and get acquainted.

5. During the development of the Strategic Plan, members expressed concern that some residents do not feel a commitment to maintain their homes and yards, which can affect property values in communities such as this. Do you have any ideas about how to address this concern?

Jerry Guske: The Board, in concert with the ECC, should identify the most egregious policy infractions that may have been inadequately addressed in the past and, taking one issue at a time, announce in print and on TV that, henceforth, community wide enforcement will be enacted.

Su Wolff: One idea is that after a certain amount of time, volunteers service the yard with an assessment to the resident. ECC follow-through is critical. Better enforcement of existing policies. We could also create a volunteer corps to respond to individual requests for assistance with maintaining property to LMOA standards, for elderly or disabled residents.

6. Budgeting is a challenge every year. Although you may not have a full working knowledge of LMOA at this

time, do you have any innovative ideas that you believe might relieve some of the budget pinch?

Gary Dillon: The BOD stands in a fiduciary role to the Association. A budget pinch is a term that I personally reject. The financial duty of care is serious and needs informed decision making. It is well settled that one cannot worship two masters – needs and wants. With due respect, this fiduciary duty extends to individual homeowners, not just the LMOA directors. Proper disclosure, good faith and sound business judgment provided by the BOD will generate property owners' trust and support of proper financial support.

Jerry Guske: With very limited knowledge of the budgeting process, this is a hard call. That said, and based only on what I've been told, outsourcing of a couple of our amenities appears to have been successful. If that is the case, possibly other areas should be explored for similar action.

Su Wolff: The more brainstorming the better. Let's utilize an inclusive focus group to consider many small actions, such as:

- Establish a fundraising committee (non-profits do this)
- Research ways for people to bequeath monies for particular projects in their will, as memorials or gifts
- Enable donations through LMOA.org, for events like the fireworks
- Form a group of grant-writing volunteers
- Create a volunteer corps to support staff, related to minor LMOA building repairs

It is the right, privilege and duty of LMOA members to vote for the candidates they believe will best serve the needs of the community. We hope that this information and the information about candidates in the Notice of Annual Meeting will assist you in making your decisions.

2010 ELECTION COMMITTEE

The Election Committee is an operating committee of LMOA, charged with ensuring that annual and special meetings of members are fair, objective and legal.

The Committee's first duty each year, in late March and early April, is to validate and count petitions signatures for Board candidates and member proposals and to report the status of individual petitions to the Board of Directors, within the required timeline. The Board depends on this information to determine what candidates and member proposals are qualified for member vote.

In June, Committee members validate and count proxy and ballot votes and

present a report of the outcome at the Annual Meeting.

Although the committee operates during only two periods in a normal year, the amount of time and effort required, the sensitivity and intensity of the work during those periods are substantial. We are most grateful for the dedicated effort of the entire Election Committee, whose members for 2010 are Lou Colville, Joan Fint, Pat Garner (co-chair), Mary Anne Hayward Barbara Kelshaw (co-chair), Ron Krauss and Ferne Picinich.

2010 UNFUNDED RESERVE ITEMS

The Reserve Study identifies items that come up on the schedule for repair or replacement during the budget cycle each year. The following are items on the 2010 schedule that were not funded.

- Clubhouse deck railing
- General Maintenance pick up truck
- Golf course restroom rehab
- Golf cart paths
- Lakeside fuel pumps
- Police communications system
- Police vehicle (2)
- Pool diving board and stand
- Security pontoon boat motor
- Tufton tennis court resurface and fence

For more information about reserves, see the Treasurer's Report, on page 4.

JUNE 26 IS 38TH ANNUAL MEETING

Continued from front page

VOTING PROCEDURES

Members' Right to Vote: Members have the right, privilege and responsibility to vote in the annual election to help determine the future of their community. However, only the votes of members of record who are in good standing will be valid. The votes of members who are not in good standing (with an outstanding balance and no approved payment plan) will not be valid and will not be counted toward the outcome of the proposals. Members with unpaid dues, fees and other charges for 2009 or earlier are urged to contact the Business Office to resolve the delinquency before voting.

Proxy Voting: The Election Committee encourages members to vote in advance by proxy to expedite the election process and to ensure a quorum. The proxy and envelopes will be included in the Notice of the 38th Annual Meeting of LMOA

Members, which will be mailed to property owners of record on or about May 26, 2010. Voting may begin immediately upon receipt of the Notice.

To ensure validity and privacy of their votes, members must follow the instructions for the double envelope system. This process requires completion of both the proxy and the proxy authorization form and using the two envelopes as instructed.

The proxy will be recorded in accordance with the member's votes. In the absence of a vote on any proposal, the Proxy will be treated as an abstention on that proposal only. Only one vote is permitted per lot or Marina Point unit, regardless of the number of owners.

Proxies must be returned to LMOA by the **deadline of 5PM on June 18, 2010.**

Voting by Ballot at the Annual Meeting: Ballots will be available from

the Election Committee from 10 AM to 1PM on the day of the Annual Meeting for members who are eligible to vote by Ballot. Ballots must be cast before the Close of Voting, which follows shortly after the meeting is called back to order at 1PM.

Who is eligible to vote by Ballot at the Annual Meeting?

- 1) Any member in good standing who did not vote by Proxy by the deadline of 5 PM, June 18, 2010
- 2) Any member in good standing who voted by Proxy but revoked that Proxy by the deadline

Who is NOT eligible to vote by Ballot at the Annual Meeting?

- 1) Any member who voted by Proxy before the deadline but did not revoke that Proxy
- 2) Any member who is not in good standing

HOMEOWNER DREDGING PROGRAM

The LMOA dredging program will soon expand by offering dredging to lakefront homeowners (for a fee). The plan is to incorporate homeowner dredging into the scheduled rotation for normal maintenance dredging in the major coves. Due to the numerous dredging requests from residents, a random selection was held, which determined that homeowners in Section 3 will be given the first opportunity for private dredging. Normal

dredging in the area of Section 3 will occur late this summer or early fall. In the next couple of months, those homeowners in Section 3 who previously indicated interest in dredging will be contacted to determine continued interest and to schedule an appointment. During the appointment, the waterfront sediment levels will be surveyed, the request will be evaluated, advice will be given on what can be accomplished, and a cost estimate

will be provided. Once a lot has been scheduled for dredging, the owner will be notified in plenty of time to obtain the required permit from the LMOA Environmental Control Committee. For information on the permitting process and requirements, call ECC/Compliance Administrator Carol Cavanaugh at 591-0196. For more information about dredging specifics, call Project Manager Rich Barringer at 589-1320.

HIGHLIGHTS OF RECENT BOARD OF DIRECTORS MEETINGS

The following highlights of recent Board of Directors meetings should not be construed as minutes. Minutes can be seen on the LMOA website at www.lmoa.org under Library or in the Association Reading Files, which are located in the Administration Office and Terrace Room at the Clubhouse and in the Crofton Room at the Pro Shop. Additional information about matters considered by the Board of Directors at open meetings may be seen in the Board meeting packets, which are located in the Reading Files and on the website under Library, Board of Directors Meetings, or by clicking on the link on the homepage under Useful Information..

March 25 Regular Meeting

- Confirmed a March 1 consent agreement to purchase and install pool filtering system mechanicals.
- Authorized the transfer of \$10,000 from the Emergency Reserve Account (ERA) dividends and interest to the short term investment account to close 2009 funding activities.
- Began discussion on a Board proposal for member vote in June for a dues increase that would increase member contributions to reserves.
- Appointed Tom Buglia to the Buildings, Roads & Grounds Committee and Gil Ellis to the Safety & Security Committee.
- Authorized modification of the 2010 budget, as follows:
 1. reduce from six to three weeks the period of time when dumpsters will be available for Spring cleanup, which will reduce expenditures from improved property funds;
 2. modify the Recreation Manager position from full-time to seasonal, which will reduce operational expenditures;
 3. reduce the contribution from ERA dividends and interest funds from

\$290,000 to \$200,000, reflecting lower earnings;

4. reduce the golf course green rehabilitation project allocation from \$75,000 covering three greens to \$25,000 covering one to reduce reserve expenditures.

- Delayed action on proposed additions to the strategic plan until April or May.
- Delayed action on a proposal to establish a new investment account for lake reserves until April 1.

April 1 Special Open Session

- Certified that Gary Dillon, Jerry Guske, Britt Johnson and Su Wolff are qualified candidates for the June election to fill two vacancies on the Board of Directors.
- Voted to present for member vote a proposal to raise annual dues by \$108 to increase the member contribution to reserve funding. A statement in support of the proposal for the Annual Meeting Notice was approved, pending legal review.
- Delayed until April 22 action on a proposal to set up a separate investment account for lake health reserves.

April 22 Regular Meeting

- Approved amendments to PM 4.02A, Financial Management Policy, to update

and align the policy with the budget, make corrections where needed, and structure reserve and operating accounts.

- Amended Bylaws Section 4.11, Voting, to delete requirements for non-Association solicited proxies.
- Approved a contract with SDI/Kerkim LLC, for single stream collection, disposal and recycling of solid waste, effective June 1, 2010, pending review by legal counsel and LMOA's insurance carrier. The contract will be funded from the Improved Property Fee and operations.
- Awarded a contract to Tennis Courts, Inc. for resurfacing the Ashlawn Tennis Courts, in the amount of \$13,290, to be funded from reserves. The project was approved as part of the 2010 budget.
- Approved a list of four audits for 2010, as recommended by the Audit Committee: golf course equipment, pool snack bar, member dues, pool fees and charges.
- Made committee appointments: Burt Marks to Storm Water Management, Carol Brown and Cam White to Finance.
- Deferred action on a proposal to add items to the Strategic Plan and a proposal to open a Lake Reserve investment account.

FINANCIAL REPORTS

COMPARATIVE SUMMARY BALANCE SHEET, as of March 31, 2010

<u>ASSETS</u>	<u>2009</u>	<u>2010</u>	<u>Change</u>
Cash, including interest bearing deposits	\$ 1,307,760	\$ 2,043,163	\$ 735,403
Investments for resale, at fair value	7,604,816	8,391,833	787,017
Accounts Receivable			
net uncollectable allowance	989,829	1,310,126	320,297
Other Receivables	15,198	11,262	(3,936)
Accrued Interest Receivable	55,846	39,188	(16,658)
Prepaid Expenses	58,703	64,067	5,364
Inventories	42,817	39,466	(3,351)
Fixed Assets, less Depreciation	<u>5,655,541</u>	<u>5,486,071</u>	<u>(169,470)</u>
TOTAL ASSETS	\$ 15,730,510	\$ 17,385,176	\$ 1,654,666
<u>LIABILITIES</u>			
Accounts Payable/Accruals	\$ 248,236	\$ 374,582	\$ 126,346
Owner's Building Deposits	3,985	8,993	5,008
Barcode Deposits	2,055	2,160	105
Deferred Revenue	2,327,191	2,837,365	510,174
Capital Lease Obligations	<u>337,034</u>	<u>264,048</u>	<u>(72,986)</u>
TOTAL LIABILITIES	\$ 2,918,501	\$ 3,487,148	\$ 568,647
<u>ASSOCIATION EQUITY</u>			
Amenity Fund	\$ 214,869	\$ 198,440	\$ (16,429)
Restricted Equity - Sale of LMSC	6,630,063	6,630,063	--
Property and Equipment	5,318,506	5,223,067	(95,439)
Equity - New Home Fees	31,779	48,207	16,428
Equity - Roads	57,579	181,774	124,195
Equity - General Reserves	186,042	322,517	136,475
Equity - Current Year Depreciation	86,762	86,217	(545)
Equity - Lake	197,151	168,197	(28,954)
Equity - Property Transfer Fee	155,821	198,589	42,768
Equity - Undesignated Reserves	--	--	--
Unreserved/Undesignated Equity	(46,280)	583,807	630,087
Profit/<Loss> YTD	<u>(20,283)</u>	<u>257,150</u>	<u>277,433</u>
TOTAL EQUITY	\$ 12,812,009	\$ 13,898,028	\$ 1,086,019
 TOTAL LIABILITIES/EQUITY	 \$ 15,730,510	 \$ 17,385,176	 \$ 1,654,666

STATUS OF COLLECTIONS, as of March 31, 2010

	<u>BILLED</u>	<u>COLLECTED</u>	<u>%</u>	<u>RECEIVABLE</u>
2010 Dues	\$ 2,771,730	\$ 1,931,377	69.7%	\$ 840,353
2010 Improved Property Fee	625,306	501,865	80.3%	123,441
2010 Tenant Fees	102,910	71,144	69.1%	31,766
2010 PTF	23,400	22,100	94.4%	1,300
2010 Monthly Fees	16,894	5,154	30.5%	11,740
2010 Amenities/Other	<u>77,842</u>	<u>46,157</u>	59.3%	<u>31,685</u>
Subtotal 2010	\$ 3,618,082	\$ 2,577,797	71.2%	\$ 1,040,286
Finance Charges (all years)	173,553	8,639	5.0%	164,914
2010 Compliance	5,274	1,045	19.8%	4,229
Allowance for Uncollectables	(115,516)	(6,029)	-5.2%	(109,487)
Prior Years Total	<u>233,650</u>	<u>23,465</u>	10.0%	<u>210,185</u>
Finance Charge/PY Subtotal	\$ 296,961	\$ 27,120	9.1%	\$ 269,841
 TOTAL	 \$ 3,915,043	 \$ 2,604,917	 66.5%	 \$ 1,310,126

FINANCIAL REPORTS

INCOME AND EXPENSE BUDGET SUMMARY

Year-to-Date - March	<u>2009</u>	<u>2010</u>	<u>YTD Budget</u>	<u>2010 Budget</u>
OPERATING INCOME:				
Dues and Fees	\$ 512,639	\$ 628,447	\$ 610,263	\$ 2,420,453
Administration	68,010	7,719	6,215	169,972
Maintenance	1,959	1,233	1,500	7,000
Golf Course	97,342	86,660	96,776	672,219
Food Service	13,088	549	7,657	7,657
Recreational Amenities	66,265	72,628	68,154	295,449
Security/ECC	<u>28,522</u>	<u>22,308</u>	<u>27,300</u>	<u>141,630</u>
TOTAL INCOME	\$ 787,825	\$ 819,544	\$ 817,865	\$ 3,714,380
OPERATING EXPENSE:				
Dues and Fees	\$ --	\$ --	\$ --	\$ --
Administration	234,405	258,482	242,245	1,077,526
Maintenance	132,593	127,042	129,656	614,511
Golf Course	171,547	171,950	196,975	764,702
Food Service	32,997	11,145	19,257	33,845
Recreational Amenities	33,859	38,386	40,008	283,621
Security/ECC	<u>185,703</u>	<u>200,137</u>	<u>210,337</u>	<u>907,590</u>
TOTAL EXPENSES	\$ 791,104	\$ 807,142	\$ 838,478	\$ 3,681,795
NET OPERATING INCOME				
Dues and Fees	\$ 512,639	\$ 628,447	\$ 610,263	\$ 2,420,453
Administration	(166,395)	(250,763)	(236,030)	(907,554)
Maintenance	(130,634)	(125,809)	(128,156)	(607,511)
Golf Course	(74,205)	(85,290)	(100,199)	(92,483)
Food Service	(19,909)	(10,596)	(11,600)	(26,188)
Recreational Amenities	32,406	34,242	28,146	11,828
Security/ECC	<u>(157,181)</u>	<u>(177,829)</u>	<u>(183,037)</u>	<u>(765,960)</u>
NET OPERATING INCOME	\$ (3,279)	\$ 12,402	\$ (20,613)	\$ 32,585
PROGRAM INCOME:				
Other Income (5-year Cable)	\$ --	\$ --	\$ --	\$ --
Lake	57,288	57,716	57,276	229,105
Roads	30,902	65,236	58,794	256,376
Amenities	--	19,694	19,694	64,876
Property Transfer Fee	22,100	23,400	21,450	81,250
Improved Property Fee	157,506	156,732	155,751	623,004
Investment Earnings	7,841	65,121	72,500	290,000
Interest on Equity Accounts	<u>682</u>	<u>552</u>	<u>625</u>	<u>2,500</u>
TOTAL PROGRAM INCOME	\$ 276,319	\$ 388,451	\$ 386,090	\$ 1,547,111
PROGRAM EXPENSE:				
Lake	\$ 40,868	\$ 21,928	\$ 25,219	\$ 229,105
Roads	7,021	7,639	7,722	256,376
Improved Property Expense	152,282	264,527	163,602	672,409
Reserve Projects	6,512	1,907	--	175,480
Amenities	--	--	--	64,876
Allowance for Uncollectables	(1)	(1)	(2)	--
Loss/(Gain) on Disposal of Assets	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL PROGRAM EXPENSE	\$ 206,682	\$ 296,000	\$ 196,541	\$ 1,398,246
NET PROGRAM INCOME				
	\$ 69,637	\$ 92,451	\$ 189,549	\$ 148,865
TOTAL NET INCOME				
	\$ 66,358	\$ 104,853	\$ 168,936	\$ 181,450
GAIN/<LOSS> ON INVESTMENTS:				
TOTAL INVESTMENT ACITIVITY	\$ (86,641)	\$ 152,297	\$ --	\$ --
CHANGE IN EQUITY	\$ (20,283)	\$ 257,150	\$ 168,936	\$ 181,450

LAKE MONTICELLO OWNERS' ASSOCIATION

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