

Lago Vista

Lago Vista Golf and Family Resort
180 Royal Palm Drive Kissimmee, FL 34743
(800) 437-8124 FAX (407) 348-5083

Dear Lago Vista Owner,

This is our second letter to all of you since the change in management last November. It is the Board of Directors' and managements' goal to keep all owners informed and involved. Lago Vista depends on owners who use their vacation ownership benefiting from their ownership and subsequently paying their maintenance fees. There is much to do and much to tell you.

Management & Board of Directors

As we previously said in the first newsletter, your resort management and the board changed last November. In these first few months, we are updating all the operational software that will allow us to be more efficient with the staff we have. Everything from the maintenance fee billing, check-in/checkout, housekeeping, and maintenance is going through changes that will not only provide better service but also save money. We need to do everything to reduce expenses while we work to increase income.

For those of you that may not have held onto the first newsletter, here are the new individuals that are responsible for overseeing Lago Vista.

General Manager: Tom Adams
Onsite Manager: BJ Franklin

President: Kevin Mattoni
Secretary: Tracey Duffy
Treasurer: Pam Merrick
Directors: Richard Cunningham, Robbie Lavelle

Financial Reporting

Attached with this newsletter are the YTD 2017 financials and the 2016 independent audit. These are also posted on the resort website. Monthly financials will continue to be updated on the website for owners review. Owners do need to login by using the "Owners Only" link. Password is sunnylv. Owners will be able to access not only the financials and budgets but also meeting minutes, rental agreements and other pertinent information to make it easy for you to keep current with your resort.

Audit Direct Link:

<http://lagovistafl.com/wp-content/upload/2017/05/LVCONDOASSN2016Audit.pdf>

Owner Forms Direct Link:

<http://lagovistafl.com/owner-forms>

2016 Audit

The annual audit is completed and forwarded to the state as required. Some points to pay attention to:

- Page 4 allowance for bad debt. In the past, unpaid delinquent maintenance fees were not being written off and were placed on the balance sheet as an asset, assumedly to be recovered. Additional references appear on page 5 and again page 11 in NOTE 6. History indicates that maintenance fees over 12 months delinquent are generally not ever collected. The board decided to not record these receivables as an asset but to charge them off every year. Management feels this change reflects a more accurate state of our financial position. If any delinquent fees are recovered in the future, they will be recorded as recovery bad debt. The posting of \$894,463 on page 5 and 15 represents numerous years bad debt through 12/31/2014.
- Page 4 Accounts Payable and Other Liabilities includes unpaid management fees that are due to the prior and current management companies. The fees were not paid in 2016 because the Association did not have the available funds. Prior management company fees are being paid over time in an agreed upon payment plan.
- Total Reserve balances are detailed on page 14. It is management's opinion that roof, painting, and paving reserve balances are inadequate. Storm contingency is not a required reserve and does not currently cover the deductible for storm damage. The board will discuss if Storm Contingency should be reallocated to other reserve items that are substantially underfunded.
- In 2016, as in prior years, the Association used prepaid maintenance fees to fund operating expenses when current year cash flow was insufficient. Prepaid maintenance fees are described on page 10 in NOTE 5 and shown on page 4 Assessments Received in Advance.
- When reviewing actual and budgeted revenue and expenses as detailed on pages 15 and 16, the Association operated under budget. The posting of \$894,463 representing several years of bad debt put the Association in the red for 2016.

MANAGEMENT NOTE: Management is committed to accurately budgeting for bad debt in future years as this is the primary financial problem the Association is facing.

2017 YTD Financials

The balance sheet and income statement are through 3/30/2017. Some points to pay attention to:

- Capital Reserves
The Association currently budgets reserve funding for Roof Replacement, Building Painting, Pavement Resurfacing, Unit Furnishings, and Storm Contingency. These funds from the maintenance fees are deposited in separate bank accounts and are to be used when these items are in need of replacement/repair. Management will be conducting a reserve analysis in house. The Association does not have the funds to retain a third party specializing in reserve analysis to generate a formal report. It is evident that the 12/31/2016 balance in Roof Replacement of \$15,835 and Painting of \$3,499 are substantially inadequate. Paving balance of \$38,675 can be worked with. The Storm Contingency is a reserve set aside if a storm damages the property and will help cover the substantial deductible in case of a claim. This reserve is not required by the state and the board will discuss reallocating these funds to Roof and Painting. Management will use past experience to provide information to the board regarding future reserve funding if the board decides to reallocate the Storm Contingency, management is still expecting an increase in the reserve funding budget.
- Maintenance Fee Delinquency
As mentioned throughout this newsletter, owners paying maintenance fees is required if Lago Vista is to continue operating. Delinquent owners are placing a burden on owners who are able to pay their fees. Management can make payment arrangements, list the week for rent, and offer several other plans to help owners stay current owners. If an owner is in a situation that payment is not feasible and won't be in the foreseeable future, the Association will work with the owner to transfer ownership and relieve

the owner of ongoing fees. Payment plans and any other requests should be made directly to the Lago Vista office and we will be happy to help in any way we can.

- 2017 Forecast
Management forecasts that the Association will be able to complete several operational upgrades as previously described along with small upgrades to the office, interior unit painting, roof repairs, elimination of fire ant infestation, and improving landscape irrigation. We will begin to request bids for exterior building painting later in the year. We are cautiously spending funds to assure we are providing a good value to owners as we are working to generate rental income. We are looking at every option in rentals and we have started with short term vacation rentals. We hope to be able to generate enough income from that market to avoid opening units up to annual rental.

Pet Policy

Guests and Owners are not permitted to have any pet on the property except properly documented service animals. Guests and Owners who have a pet on the property will be immediately required to vacate and will be charged a \$250 penalty.

Smoking Policy

All Lago Vista units are smoke free. Exterior balconies and the grounds are smoking permitted. Owners and Guests who smoke in a unit will be required to immediately vacate the unit and be charged a \$150 penalty.

Friends and Family Rental Rates

Management has determined that the Friends and Family Reduced Rental Rate Policy is being abused on a regular basis. The new policy is that owners and their immediate family may rent additional time at then current maintenance fee upon availability.

Deed Back Policy

Management's primary concern at Lago Vista is the amount of delinquent owners who are not paying their fair share in maintenance fees. Several policies and procedures were adopted to begin to face this growing problem including a collection policy (above). Due to the expense associated with foreclosing on delinquent owners the Board adopted a policy to accept owner requests to deed the unit back to the Association. A fee of \$295 will be charged to cover legal costs.

Current Projects

Management and the staff have made great strides in implementing new work stations along with networking the stations. Staff went on a quick study program and everyone has taken to all the changes seeing how they have made day to day assignments so much easier. The next step is working with the reservation system that will allow us to offer online rental reservations. We have contracted with Expedia to use their extensive reach to rental guests that we hope will drive new business to Lago Vista.

We also have implemented a new electronic survey for everyone to use that immediately informs management of any maintenance or housekeeping issues. We will be able to quickly respond to owners and guest requests. The survey also has a unique feature that allow reviews to be submitted into TripAdvisor. This is very important as TripAdvisor is the go-to site for new rental guests when they are looking for vacation accommodations. With these reviews, we expect Expedia to successfully generate new business for Lago Vista which is needed to offset the non-paying maintenance fees.

Owner Reservations and Internal Exchange

The office has received several owner requests asking that because the owner did not use the week they owned and the dates are past, to assign another week to use. Although this may have happened in the past, we cannot allow this to continue. Every week is owned either by an individual or the Association. Association weeks are listed for rent in several places, therefore cannot be allocated for this purpose. As we have stated, rental income

for the Association is vital if we are to keep maintenance fees in line. The disheartening thing is, these owners who lost their vacation did pay their maintenance fees. Management is trying to come up with an idea for these owners however this cannot be an ongoing exception. Owners must use the time they own or make arrangements to exchange or rent or utilize the unit in some way.

In prior years, an internal exchange program was offered allowing owners to trade their time with other Lago Vista owners allowing them to come at different times for an additional fee. The program is not used by many owners. The state requires a separate audit on that operation which is costly. Management has contacted the state to dissolve that service as it loses money and is providing service to only a few owners. If this service is no longer offered, any owner who has a credit in that system will not lose their credit and will be given a week as originally agreed. We will keep you all informed as to the status of that program.

Another New Face

We were sorry to see Ed, one of our maintenance men, leave us. We are happy to welcome Chris to the staff. We have two full time maintenance men, Luis and Chris, and feel we are in great shape to do as much maintenance work without going outside to expensive contractors as we can possibly hope to do. We expect to provide better response to requests and improve housekeeping issues. We are starting to see results already.

In Closing

While we have much to feel positive about and much left to work on, the most important issues are the owners paying maintenance fees along with management generating rental income to offset the fees that aren't being paid. Over the years, Lago Vista has been in a long steady slide of losing dues paying owners while not developing a successful rental program to help with providing income to the Association. New management has decades of experience working with resorts that have financial issues. We will work diligently to drive rentals and bring in that much needed income. However, the Association cannot survive without a strong owner base that uses and benefits from ownership. New unit sales are not going to be the immediate answer. Sales for timeshare weeks at older timeshare resorts are generally not very successful and the pricing is so low that it is hard to allocate resources when the prices are below \$500.

Management will create new efficiencies and will provide the best vacation experience possible which will be the foundation to building the rental income we need. We will continue to communicate on a very regular basis with all owners. We will do our best to keep all of you informed of the status of your resort, both good and bad.

Thank you for taking the time to read this information. Please send your comments and questions to Info@LagoVistaFL.com. We will read and respond to each request we receive.

Sincerely,

A handwritten signature in blue ink, appearing to be 'KM', with a long horizontal line extending to the right.

Kevin Mattoni
Board President

Lago Vista Condominium Association Inc.

Income Statement

Mar-17

Income		MONTH			YTD			
		Actual	Budget	Variance	Actual	Budget	Variance	
4000	Maintenance Fees	125,491.55	0.00	125,491.55	511,825.68	962,960.00	451,134.32	
4100	Property Taxes	9,649.00	0.00	9,649.00	37,139.00	54,996.37	-17,857.37	
4150	Sale/Rental Inc.	0.00	1,250.00	-1,250.00	4,626.78	3,750.00	876.78	
4190	Interest-Oper	25.33	83.33	-58.00	69.28	249.99	-180.71	
4200	Late Fees	647.32	0.00	647.32	817.32	0.00	817.32	
4240	Miscellaneous	1,155.00	0.00	1,155.00	7,216.81	0.00	7,216.81	
4250	Cr Card Fees	1,865.60	0.00	1,865.60	2,175.00	0.00	2,175.00	
4300	Recovery B/Debt	7,887.30	0.00	7,887.30	26,208.60	0.00	26,208.60	
Gross Profit		146,721.10	1,333.33	145,387.77	0.00	590,078.47	1,021,956.36	431,877.89
Expenses								
	Admin/Management	52,082.18	21,171.67	30,910.51	81,162.77	63,515.01	17,647.76	
	Maintenance	10,903.14	10,950.00	-46.86	32,738.26	32,850.00	-111.74	
	Housekeeping	8,861.87	9,500.00	-638.13	22,813.98	28,500.00	-5,686.02	
	Utilities	6,520.92	10,050.00	-3,529.08	20,028.10	30,150.00	-10,121.90	
	Other Expense	5,670.26	29,200.00	-23,529.74	19,701.10	87,600.00	-67,898.90	
Total Expenses		84,038.37	80,871.67	3,166.70	0.00	176,444.21	242,615.01	-66,170.80
Net Income		62,682.73	79,538.34	142,221.07	0.00	413,634.26	779,341.35	365,707.09
Administration								
6030	Postage/Printing	62.06	583.33	-521.27	692.99	1,749.99	-1,057.00	
6050	Office Supplies	157.03	276.67	-119.64	1,985.83	830.01	1,155.82	
6070	Office Eqmt/Maint	236.48	166.67	69.81	236.48	500.01	-263.53	
6090	Salary-Mgmt	26,509.25	3,333.33	23,175.92	32,142.85	9,999.99	22,142.86	
6100	Salary-Office	4,038.00	7,103.33	-3,065.33	11,568.05	21,309.99	-9,741.94	
6120	Health Ins	978.04	3,333.33	-2,355.29	2,929.08	9,999.99	-7,070.91	
6125	Workman's Comp	340.77	583.33	-242.56	986.41	1,749.99	-763.58	
6130	Management Fees	14,925.00	2,666.67	12,258.33	14,925.00	8,000.01	6,924.99	
6150	Annual Audit	0.00	0.00	0.00	0.00	0.00	0.00	
6300	Credit Card Fees	1,690.14	0.00	1,690.14	4,691.68	0.00	4,691.68	
6400	Bank Charges	23.00	0.00	23.00	2,808.10	0.00	2,808.10	
6450	Telephone - Internet	1,573.16	1,041.67	531.49	3,542.05	3,125.01	417.04	
6460	Payroll Taxes	1,549.25	2,083.34	-534.09	4,654.25	6,250.02	-1,595.77	
Total		52,082.18	21,171.67	30,910.51	0.00	81,162.77	63,515.01	17,647.76

Maintenance		Actual	MONTH Budget	Variance		Actual	YTD Budget	Variance
6800	Sal Maint/Grounds	5,336.73	5,666.67	-329.94		15,262.40	17,000.01	-1,737.61
6830	Groundskeeping	3,500.00	1,333.33	2,166.67		8,850.00	3,999.99	4,850.01
6870	Tools	346.46	200.00	146.46		356.46	600.00	-243.54
6890	Maintenance Repair	803.30	2,083.33	-1,280.03		3,661.90	6,249.99	-2,588.09
6900	Equipment Repair	263.59	250.00	13.59		847.43	750.00	97.43
6930	Ext/Pest Control	200.00	250.00	-50.00		600.00	750.00	-150.00
6950	Pool	453.06	1,166.67	-713.61		3,160.07	3,500.01	-339.94
	Total	10,903.14	10,950.00	-46.86	0.00	32,738.26	32,850.00	-111.74
Housekeeping								
6510	Hskg - Unit Care	3,727.00	6,166.67	-2,439.67		10,195.08	18,500.01	-8,304.93
6520	Linens	581.09	791.67	-210.58		624.95	2,375.01	-1,750.06
6550	Salary - Hskg	2,595.00	0.00	2,595.00		6,568.30	0.00	6,568.30
6570	Hskg Supplies	1,740.63	1,875.00	-134.37		4,932.10	5,625.00	-692.90
6580	Housewares	218.15	666.66	-448.51		493.55	1,999.98	-1,506.43
	Total	8,861.87	9,500.00	-638.13	0.00	22,813.98	28,500.00	-5,686.02
Utilities								
7010	Cable TV/WIFI	1,160.63	983.34	177.29		3,481.89	2,950.02	531.87
7030	Electricity	3,320.04	5,833.33	-2,513.29		11,446.70	17,499.99	-6,053.29
7090	Water & Sewer	1,492.02	2,416.67	-924.65		2,990.26	7,250.01	-4,259.75
7100	Waste Removal	508.06	483.33	24.73		1,524.18	1,449.99	74.19
7150	Gas	40.17	333.33	-293.16		585.07	999.99	-414.92
	Total	6,520.92	10,050.00	-3,529.08	0.00	20,028.10	30,150.00	-10,121.90
Other Expenses								
7430	Insurance	5,002.96	5,000.00	2.96		12,130.30	15,000.00	-2,869.70
7440	Travel/Auto	417.30	500.00	-82.70		417.30	1,500.00	-1,082.70
7450	Legal & Accounting	0.00	1,191.67	-1,191.67		62.00	3,575.01	-3,513.01
7460	Advertising	0.00	83.33	-83.33		0.00	249.99	-249.99
7470	Collection Fees	0.00	83.33	-83.33		0.00	249.99	-249.99
7480	Interest Expense	0.00	33.33	-33.33		0.00	99.99	-99.99
7490	Fees Payable - Stat	0.00	416.67	-416.67		0.00	1,250.01	-1,250.01
7500	Bad Debt	0.00	20,833.33	-20,833.33		0.00	62,499.99	-62,499.99
7510	Dues/Subscrib	0.00	0.00	0.00		4,465.00	0.00	4,465.00
7520	Licenses & Fees	250.00	0.00	250.00		2,626.50	0.00	2,626.50
7530	RE Tax Exp	0.00	0.00	0.00		0.00	0.00	0.00
	Rent-Facilities	0.00	391.67	-391.67		0.00	1,175.01	-1,175.01
	Other Expenses	0.00	666.67	-666.67		0.00	2,000.01	-2,000.01
	Ask my Accountant	0.00	0.00	0.00		0.00	0.00	0.00
	Total	5,670.26	29,200.00	-23,529.74	0.00	19,701.10	87,600.00	-67,898.90