

Palmer Ranch Master Property Owners Association, Inc.
Annual Meeting of the Members
MINUTES
March 27, 2014

The Annual Meeting of the Members of Palmer Ranch Master Property Owners Association, Inc. was held March 27, 2014 at Covenant Life Presbyterian Church, 8490 McIntosh Road, Sarasota, Florida 34238.

The meeting was brought to order at 3:02 pm by Richard (Rick) Barth, President, following confirmation of quorum. Following the tabulation of votes at this meeting, the Master Association will transition from Declarant to Member Control.

Trustees present were: Rick Barth, Ed Turner, Judy Haber, Sue Ambrecht, Tracy Smith, Steve Jeantet, Bob Holzman, Steve Jeantet, Rob O'Connor, Bob Mills, Kathrin Harris and Eugene O'Brien.

Representatives present were: Kenneth Stokes of Arbor Lakes, Stephen Engber of Botanica, Philip Arsenault of Deer Creek, Thomas Moses of The Hamptons, David Watts of Huntington Pointe, Cathy Leetzow of Isles of Sarasota, Donald McKee of Marbella, Richard Miller of Mira Lago, Robert Knickerbocker of Palisades, Dr. Charles Holmes of Prestancia, Charles Painter of Palmer Square East, Jan Rowe of Palmer Club Condominium, Garry Wharton of Silver Oak Estates, Alexander Parnes of Silver Oak Estates, Fred Falkner of Vineyards of Silver Oak, Carole Dudas of Stonebridge, Carol Vartanian of Stonebridge, William Altman of Stoneybrook Golf & Country Club, Kay Karioth of Turtle Rock, Andy Papineau of VillageWalk, Bob Holzman of TPC Prestancia, Laura Gilbert of Evalyn Sadlier Jones YMCA, Sue Ambrecht of Palmer Park of Commerce, Steve Anderson of Palmer Ranch Executive Office Center and Steve Jeantet of Covenant Life Presbyterian Church.

Resident members attending were: Russell Seifert of Prestancia, Barbara Tierney of Stoneybrook Golf & Country Club, Doug Griffin of Turtle Rock, Margaret Brading of Turtle Rock, Fred Amazon of Isles of Sarasota, Susan Miller of Mira Lago, John Cleary of Wellington Chase, Mike Gates of Prestancia, Ray Winberg of Stoneybrook Estates and Paula Gritt of Turtle Rock.

Attending as legal council for the Master Association: John Cook.

Minutes of the Annual Meeting:

Motion to approve minutes of the April 16, 2013 Meeting of Members rescheduled from March 28, 2013 as distributed was made by Russell Seifert. Motion was seconded by Mike Gates and passed unanimously.

Nominations:

Twelve nominations for eight Residential Class vacancies on the Board of Trustees were received prior to mailing of ballots. One nomination for one Recreational Class vacancy on the Board of Trustees was received prior to the mailing of the ballots. One nomination for two Commercial / Industrial Class vacancies was received prior to the mailing of the ballots. There being no further ballots from the floor, Rick declared a close to the balloting.

Financial Report:

A. 2013 Audited Financial Statements

Presentation of the Audited Financial Statements for the 2013 calendar year was given. **Motion to approve** the Audited Financial Report for the period ending December 31, 2013 as distributed was made by Richard Miller. Motion was second by Kay Karioth and passed unanimously. 2013 Audited Financial Statements are attached and made a part of these minutes as Exhibit A.

B. February 2014 Financial Statements

The financial statement for the period ending February 28, 2014 was presented.

Tabulation of Ballots by Election Committee:

Motion to appoint Eugene O'Brien, Bob Mills, Ray Winberg and Sue Ambrecht to the Election Committee was made by Dr. Chuck Holmes. Motion was seconded by Garry Wharton and passed unanimously. A vote was performed with results turned over to the election committee for report later in the meeting.

Committee Reports:

A. Advisory Committee
Kathrin Harris presented the report on behalf of the Advisory Committee.

B. Parks Committee
Fred Falkner presented the report on behalf of the Parks Committee and Friends of Potter Park.

Community Update:

- A. Sandhill Preserve by DiVosta Homes - phased development of 350 residential homes.
- B. Arbor Lakes by Taylor Morrison Homes - community of 267 residential homes.
- C. On April 3, 2014 the Sarasota County Planning Commission will hold a Public Hearing for a new residential development on McIntosh Road at the intersection with Sawyer Loop Road.

Report of Election Committee:

Bob Mills, reporting on behalf of the Election Committee, announced the following members were elected as Residential Trustees for a two year term:

- Garry Wharton – Silver Oak Estates
- Barbara Tierney – Stoneybrook Golf & Country Club
- Kathrin Harris – Turtle Rock
- Lee Katz – Village Walk
- Cathy Leetzow – Isles of Sarasota

Bob Mills, reporting on behalf of the Election Committee, announced the following members were elected as Residential Trustees for a one year term:

- Fred Amazon – Isles of Sarasota
- Fred Falkner – Vineyards of Silver Oak
- Russell Seifert – Prestancia

There being no write in ballots for Recreational Trustee, Laura Gilbert of Evalyn Sadlier Jones YMCA was installed as Recreational Trustee to the Board.

There being no write in ballots for Commercial / Industrial Trustee, Steve Anderson of Palmer Ranch Executive Office Center was installed as Commercial / Industrial Trustee. The new member Board will need to appoint a third Commercial / Industrial Trustee.

The 15-Member Board of Trustees will now consist of:

- 10 Residential Trustees
- 3 Commercial / Industrial Trustees
- 2 Recreational Trustees

So long as the Declarant owns land on Palmer Ranch, it reserves the right to appoint a 16th voting member to the Board of Trustees.

Community Representative – Discussion:

There was discussion from community representatives on various topics.

Motion to adjourn was made by Steve Engber of Botanica and seconded by Don McKee of Marbella. The meeting adjourned at 4:37 pm.

Respectfully submitted,

Tracy Smith
Secretary

EXHIBIT A

**Palmer Ranch Master Property
Owners Association, Inc.**

Financial Statements

December 31, 2013

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	-
FINANCIAL STATEMENTS:	
Balance Sheet	1
Statement of Revenues, Expenses and Changes in Fund Balance	2
Statement of Cash Flows	3
NOTES TO FINANCIAL STATEMENTS	4-7
SCHEDULE OF REPLACEMENT FUND ACTIVITY	8
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS	9



CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Palmer Ranch Master Property Owners Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Palmer Ranch Master Property Owners Association, Inc., which comprise the balance sheet as of December 31, 2013, and the related statement of revenues, expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palmer Ranch Master Property Owners Association, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of replacement fund activity is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements

or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sarasota, Florida
February 5, 2014

A handwritten signature in black ink that reads "Cavanaugh + Co. LLP". The signature is written in a cursive, flowing style with a large initial 'C'.

Palmer Ranch Master Property Owners Association, Inc.

Balance Sheet
December 31, 2013

	<u>ASSETS</u>		
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 278,935	305,285	584,220
Certificates of deposit	-	485,214	485,214
Accounts receivable	18,763	-	18,763
Prepaid insurance	19,410	-	19,410
Prepaid rent	910	-	910
Total current assets	<u>318,018</u>	<u>790,499</u>	<u>1,108,517</u>
Other assets:			
Furniture and equipment, net	3,432	-	3,432
Deposits	1,802	-	1,802
Total other assets	<u>5,234</u>	<u>-</u>	<u>5,234</u>
Total assets	<u>\$ 323,252</u>	<u>790,499</u>	<u>1,113,751</u>

LIABILITIES AND FUND BALANCE

Current liabilities:			
Accounts payable	\$ 214,134	-	214,134
Prepaid assessments	63,209	-	63,209
Total current liabilities	<u>277,343</u>	<u>-</u>	<u>277,343</u>
Fund balances	<u>45,909</u>	<u>790,499</u>	<u>836,408</u>
Total liabilities and fund balance	<u>\$ 323,252</u>	<u>790,499</u>	<u>1,113,751</u>

See accompanying notes to financial statements.

Palmer Ranch Master Property Owners Association, Inc.

Statement of Revenues, Expenses and Changes in Fund Balance
Year Ended December 31, 2013

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$ 1,490,393	80,249	1,570,642
Sarasota County Maintenance	284,734	-	284,734
Interest	90	320	410
Administrative late fees	862	-	862
Estoppel fees	5,525	-	5,525
Architectural review fees	3,000	-	3,000
Total revenues	<u>1,784,604</u>	<u>80,569</u>	<u>1,865,173</u>
Expenses:			
Salary and benefits	264,373	-	264,373
Rent/Occupancy	25,870	-	25,870
Ornamental maintenance	281,530	-	281,530
Turf maintenance	402,227	-	402,227
Irrigation maintenance	139,070	-	139,070
Fertilization/pest control	155,088	-	155,088
Lake management	159,240	-	159,240
Utilities	33,927	-	33,927
Repairs and maintenance	30,867	-	30,867
Administrative	16,448	-	16,448
Insurance	22,507	-	22,507
Professional fees	29,419	-	29,419
Enhancement project	173,573	-	173,573
Contingency	35,735	-	35,735
Miscellaneous	88	-	88
Depreciation	996	-	996
Reserve	-	-	-
Total expenses	<u>1,770,958</u>	<u>-</u>	<u>1,770,958</u>
Excess of revenues over expenses	13,646	80,569	94,215
Fund balance - beginning of year	<u>32,263</u>	<u>709,930</u>	<u>742,193</u>
Fund balance - end of year	<u>\$ 45,909</u>	<u>790,499</u>	<u>836,408</u>

See accompanying notes to financial statements.

Palmer Ranch Master Property Owners Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2013

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Member assessments collected	\$ 1,505,705	80,249	1,585,954
Sarasota County Maintenance	284,734	-	284,734
Interest received	90	320	410
Other income received	9,387	-	9,387
Cash paid for operating expenses	<u>(1,757,447)</u>	<u>(15,864)</u>	<u>(1,773,311)</u>
Net cash flows from operating activities	<u>42,469</u>	<u>64,705</u>	<u>107,174</u>
Cash flows from investing activities:			
Purchase of certificates of deposit	-	(485,214)	(485,214)
Redemption of certificates of deposit	<u>-</u>	<u>485,177</u>	<u>485,177</u>
Net cash flows from investing activities	<u>-</u>	<u>(37)</u>	<u>(37)</u>
Increase in cash and cash equivalents	42,469	64,668	107,137
Cash and cash equivalents at beginning of year	<u>236,466</u>	<u>240,617</u>	<u>477,083</u>
Cash and cash equivalents at end of year	<u>\$ 278,935</u>	<u>305,285</u>	<u>584,220</u>
Reconciliation of excess of revenues over expenses to net cash flows from operating activities:			
Excess of revenues over expenses	\$ 13,646	80,569	94,215
Adjustments to reconcile deficiency of revenues over expenses to net cash flows from operating activities:			
Depreciation	996	-	996
(Increase) decrease in:			
Accounts receivable	(17,254)	-	(17,254)
Prepaid insurance	(1,111)	-	(1,111)
Prepays and other	5,182	-	5,182
Deposits	(533)	-	(533)
Due (to) from other fund	15,864	(15,864)	-
Increase (decrease) in:			
Accounts payable	98,977	-	98,977
Prepaid assessments	16,702	-	16,702
Compliance deposits	<u>(90,000)</u>	<u>-</u>	<u>(90,000)</u>
Total adjustments	<u>28,823</u>	<u>(15,864)</u>	<u>12,959</u>
Net cash flows from operating activities	<u>\$ 42,469</u>	<u>64,705</u>	<u>107,174</u>

See accompanying notes to financial statements.

Palmer Ranch Master Property Owners Association, Inc.

Notes to Financial Statements

December 31, 2013

Note 1 – Nature of Operations:

Palmer Ranch Master Property Owners Association, Inc. (Association) is a not-for-profit corporation formed for the purpose of managing and maintaining areas common to the property owners within the development known as Palmer Ranch. Specifically, the Association is responsible for maintaining all landscape and hardscape within the roadways and medians, maintaining certain perimeter hedges and trees, which include mowing, irrigation, fertilization, and herbicides, as necessary. The roadways involved are specific portions of McIntosh Road, Sawyer Loop Road, Honore Avenue, Sarasota Square Boulevard, Palmer Ranch Parkway, and Extension, Central Sarasota Parkway and Northridge Road. The Association is also responsible for conservation of certain common waterways and landscape maintenance of the seven vehicular entrances to the Palmer Ranch Entity.

Note 2 – Summary of Significant Accounting Policies:

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting, and prepares its financial statements on the accrual basis of accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose.

Operating Fund - This fund is used for financial resources available for the general operations of the Association. The excess, if any, of 2013 assessments over expenses are carried forward to be applied to 2014 expenses.

Replacement Fund - This fund is composed of assessments paid by members to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

Financial Statements

The financial statements and notes are representations of the Association's management, who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Member Assessments

Association members are subject to yearly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments are charged to the unit owners on a per assessable unit basis. Member assessments are determined annually by the Board of Trustees based upon the maintenance and other operating requirements of the Association. Any deficit or excess of revenue over expenses would, in effect, increase or decrease assessments required in future periods.

Revenue from assessments and late fees are recognized in the period to which it applies. Assessments received in advance are recorded as prepaid assessments when received and reclassified to revenue in the period to which they pertain.

Palmer Ranch Master Property Owners Association, Inc.

Notes to Financial Statements – Continued

December 31, 2013

Note 2 – Summary of Significant Accounting Policies – Continued:

Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Association uses the allowance method to recognize bad debts. Management establishes an allowance for doubtful accounts based on amounts expected to be uncollectible at the balance sheet date. The Association's policy is to retain legal counsel and place liens on the properties of the members whose assessments are delinquent. Management believes an allowance for doubtful accounts was not deemed necessary for the year ended December 31, 2013.

Common Property

The Association's policy is to not capitalize and depreciate the commonly owned real property as ownership is vested directly or indirectly in the member property owners and these assets are not deemed to be severable.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Association is taxed as an association and files Form 1120H. The Association is taxed on its non-membership income, such as interest income, and any excess membership income which has been deferred for more than one year, at regular federal and state corporate rates. There is no income tax expense or income tax liability at December 31, 2013.

Management has evaluated the effect of accounting standards regarding accounting for uncertainty in income taxes. In that regard, management has evaluated all tax positions that could have a significant effect on the financial statements and determined the Association has no uncertain tax positions at December 31, 2013, that could materially affect the financial statements.

The income tax return of the Association is subject to examination by the taxing authorities, generally for three years after they were filed.

Palmer Ranch Master Property Owners Association, Inc.

Notes to Financial Statements – Continued

December 31, 2013

Note 3 – Future Major Repairs and Replacements:

The Association's organizing documents require the Association to prepare its annual budget with estimates of costs for the repair and/or replacement of certain common property.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on estimates of current replacement costs. In 2013 the Association obtained an updated reserve study, prepared by a third party, to provide relevant information to budget for such costs. The table included in the required supplemental information on future major repairs and replacements is based on this study. The Association allocates interest earned on replacement funds to the individual components based on the component's relative balances. Amounts previously accumulated are considered in determining the annual funding requirement. The Association fully funds the reserves as estimated in that reserve study.

Actual expenditures may vary from the estimated replacement costs. These variances could be material. Consequently, the amounts accumulated in this fund may not be adequate to fund the major repair or replacement. If additional funds are needed, the Association may increase regular assessments, pass a special assessment or delay the repair or replacement.

Note 4 – Compliance Deposits:

The Association requires that builders within the entity submit plans for review prior to commencement of construction. They also require the submission of a compliance deposit in connection with the plans review process. The compliance deposits less 10% for architect or engineer fees are refundable once full compliance with the building standards has been determined. As of December 31, 2013, the Association had no compliance deposits.

Note 5 – Geographic Exposure to Catastrophe Loss:

The Association has possible exposure to catastrophe losses based on the location of the property. These catastrophes can be caused by various events, including hurricanes, windstorms, hail, and flood, and the incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure by the type of event and the severity of the event. The Association generally seeks to reduce its exposure to catastrophes through individual risk selection, the purchase of catastrophe insurance and mandated reinsurance by certain insurance companies. In the event of such a catastrophe, assessments may be necessary to provide for deductibles consistent with insurance policy provisions.

Note 6 – Related Party Transaction:

The employees of the Association are employed by a management company which is a subsidiary of the Declarant. The Association generally reimburses the management company for salaries, payroll taxes, health insurance, and worker's compensation expenses. Amounts paid to the management company during the year ended December 31, 2013 totaled approximately \$269,431.

Palmer Ranch Master Property Owners Association, Inc.

Notes to Financial Statements – Continued

December 31, 2013

Note 7 – Sarasota County Maintenance:

The Association has a signed agreement with Sarasota County for median and roadside maintenance services. The contract services include roadway mowing, litter removal, herbicide treatment, and sidewalk and curb edging. The compensation for this agreement amounted to \$284,734 for the year ended December 31, 2013.

Note 8 – Savings Plan:

The Declarant offers a tax-deferred savings plan (the Plan) which qualifies as a defined contribution plan under the Internal Revenue Code 401 (k). Employees who are eligible may provide tax-deferred contributions to fully vested individual accounts up to 100% of before tax pay within Internal Revenue Code limits. The Plan covers substantially all employees with six months of service regardless of the number of hours of service or age. At the Plan's discretion, it may provide up to 100% of the first 4% of pay employees contribute to the plan through salary deferral. For the year ended December 31, 2013 the Plan matched employee contributions of 2%, or \$691.

Note 9 – Concentrations of Economic and Credit Risk:

The Association maintains its cash balances at financial institutions located in Sarasota, Florida. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, balances may exceed this limit. Management considers the risk to be minimal.

Note 10 – Subsequent Events:

Subsequent events have been evaluated through February 5, 2014, which is the date the financial statements were available to be issued.

Palmer Ranch Master Property Owners Association, Inc.

Schedule of Replacement Fund Activity
Year Ended December 31, 2013

Components	Balance 12/31/2012	Revenues	Interest	Expenses	Transfers	Balance 12/31/2013
Entry walls	\$ 190,594	8,282	83	-	-	198,959
Entry landscape lighting	7,290	1,718	4	-	-	9,012
Street light resurfacing	258,624	36,722	118	-	-	295,464
Traffic signal resurfacing	27,269	12,462	14	-	-	39,745
Community identification signs - replacements	72,738	2,466	31	-	-	75,235
Community identification signs - capital repairs	-	5,250	1	-	-	5,251
Directional signs	39,783	1,384	17	-	-	41,184
Flagpoles	10,871	2,144	5	-	-	13,020
Entry pavers	99,040	6,164	44	-	-	105,248
Benches	3,721	658	2	-	-	4,381
Silt removal	-	2,999	1	-	-	3,000
Total	\$ 709,930	80,249	320	-	-	790,499

Palmer Ranch Master Property Owners Association, Inc.

Supplementary Information on Future Major Repairs and Replacements
Year Ended December 31, 2013
(Unaudited)

The following table is significant information on reserves:

	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Cost</u>
Entry walls	13-22	\$ 340,150
Entry landscape lighting	14	33,000
Street light resurfacing	5-9	578,000
Traffic signal resurfacing	5	102,000
Community identification signs - replacement	13	110,250
Community identification signs - capital repairs	3	21,000
Directional signs	5	50,400
Flagpoles	13	28,000
Entry pavers	1-21	211,860
Benches	10	11,250
Silt removal	4	50,000
Fence	15-16	<u>52,680</u>
		<u>\$ 1,588,590</u>