

Palmer Ranch Master Property Owners Association, Inc.
Annual Meeting of the Members
MINUTES
March 29, 2018

The Annual Members Meeting of Palmer Ranch Master Property Owners Association, Inc. was held March 29, 2018 at Covenant Life Church, 8490 McIntosh Road, Sarasota, Florida 34238

Member representatives present: Drew Miller representing Arbor Lakes, Esplanade and Legacy Estates; Diane Alfano and Al Zabbia of Arielle; Jacqueline Vezzi of Vintage Grand; Thomas Williams of Deer Creek; Henry Warren of The Hamptons; Edward Stofko of Huntington Pointe; Robert Stickney of Isles of Sarasota; Ellen Palmer Marsey of Marbella; Carol Auricchio of Mira Lago; Bob Holzman representing Prestancia and TPC; Teri Hjermstad of Palmer Square West; Wayne Gold of Sandhill Preserve; John Hockenberry of Silver Oak Estates; Joe Brand and Al Gryczka of Vineyards at Silver Oak; Denise Etten of Stonebridge; Phyllis Prager of Stoneybrook Estates; Charles Gonzalez of Stoneybrook Golf & Country Club; Jodi Cunnison of Turtle Rock; Lee Katz of VillageWalk; Gabriel Schlosser and John Cleary of Wellington Chase; Aaron Herschberger of Evalyn Sadlier Jones YMCA; and Andrea Suarez representing Palmer Park of Commerce and Palmer Park Plaza.

Trustees present: Aaron Herschberger, Bob Holzman, Cathy Leetzow, Dick Beitel, Garry Wharton, Kathrin Harris, Lee Katz, Peggy Wells, Rob O'Connor and Andrea Suarez

Trustees unable to attend: Claudia Brooks, Joel Schemmel, Nicholas Spina, Steve Anderson and Steve Jeantet.

Resident members attending were: Roger Stephenson of VillageWalk, Michael Katz of VillageWalk and Ken Brinker of Stoneybrook Golf & Country Club.

Palmer Ranch Master Association staff attended: Tracy Smith, Carrie Agosto and Sue Ambrecht.

Convene/confirmation of Quorum. President Rob O'Connor brought the meeting to order at 3:05pm following confirmation of quorum.

Minutes of Previous meeting

A motion by Garry Wharton, second by Bob Holzman, to approve the minutes of the March 23, 2017 Annual Members Meeting as distributed. Motion passed unanimously.

Report by Elections Committee

Requests for nominations was mailed on November 17, 2017. There were no new nominations received. There will be no election. The following Board Members will be seated for another 2 year term:

Residential Trustees:

Richard (Dick) Beitel	Stoneybrook Golf & Country Club
Garry Wharton	Silver Oaks Estates
Joel Schemmel	Prestancia
Leatrice (Lee) Katz	VillageWalk
Nicholas Spina	Wellington Chase

Commercial/Industrial Trustee:

Steve Anderson	Palmer Ranch Executive Office Center
----------------	--------------------------------------

President's Report

Comments provided by Rob O'Connor

Financial Report:

a. 2017 Audited Financial Statements

2017 Calendar Year audited financial statements were distributed to all Community/Tract Representatives with the reminder notice of meeting. Motion by Phyllis Prager, second by Roger Stephenson, to accept the 2017 calendar year audited financial statements as distributed and to be attached and made part of the minutes of this meeting. Motion approved unanimously and passed. (Audited Financial Statements for the period ended December 31, 2017 attached to and made a part of these minutes).

Palmer Ranch Master Association – Mission Statement

'Our mission is to enhance and maintain the aesthetic quality of Palmer Ranch and to preserve the overall unique identity and sense of community.'

b. February 2018 Financial Statements

A copy of these financial statements were provided to the Board and Community/Tract Representatives.

Management / Committee Reports:

Copies of the management/committee reports were provided to the Board and Representatives.

- a. Management Report provided by Tracy Smith
- b. Grounds Report provided by Sue Ambrecht
- c. Advisory Committee Report provided by Dick Beitel
- d. Community Center Sub Committee Report provided by Garry Wharton
- e. Community Relations Committee Report provided by Tracy Smith
- f. Palmer Ranch Watershed / Natural Assets Committee Report provided by Ken Brinker

Community Update

Tracy Smith provided information on the various projects currently under construction as well as the status of upcoming projects.

Appointment of Nominating Committee

Motion by Dick Beitel, seconded by Cathy Leetzow, to appoint the following to their respective Nominating Committees: Residential: Kathrin Harris of Turtle Rock; Commercial/Industrial: Steve Jeantet of Covenant Life Church and Recreation: Bob Holzman of TPC Prestancia. Motion passed unanimously.

Community Representatives Discussion

- Listing of Representative email address and websites for each community on the PRMA website.
- Status of Bay Street extension and roundabout at Honore Avenue

New President of Palmer Ranch Master Association

Dick Beitel is now the new President of the Palmer Ranch Master Property Owners Association, have served as President-Elect for the past year.

Adjourn

Motion to adjourn was made by Aaron Herschberger, seconded by Lee Katz and passed unanimously. The meeting adjourned at 4:25pm.

Respectfully submitted,

Leatrice Katz
Secretary

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

Financial Statements

December 31, 2017

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 Trustees 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, 2017, 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, 2017, 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 21, 2018

Cavanaugh Co. LLP

Palmer Ranch Master Property Owners Association, Inc.

Balance Sheet
December 31, 2017

	<u>ASSETS</u>		
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 195,609	249,738	445,347
Certificates of deposit	625,000	1,100,987	1,725,987
Accounts receivable	1,920	-	1,920
Prepaid insurance	32,928	-	32,928
Prepaid rent	910	-	910
Total current assets	<u>856,367</u>	<u>1,350,725</u>	<u>2,207,092</u>
Other assets:			
Furniture and equipment, net	3,105	-	3,105
Deposits	10,549	-	10,549
Total other assets	<u>13,654</u>	<u>-</u>	<u>13,654</u>
Total assets	<u>\$ 870,021</u>	<u>1,350,725</u>	<u>2,220,746</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Current liabilities:			
Accounts payable	\$ 105,073	-	105,073
Prepaid assessments	49,683	-	49,683
Total current liabilities	154,756	-	154,756
Fund balances	<u>715,265</u>	<u>1,350,725</u>	<u>2,065,990</u>
Total liabilities and fund balance	<u>\$ 870,021</u>	<u>1,350,725</u>	<u>2,220,746</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, 2017

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$ 1,612,026	184,823	1,796,849
Sarasota County maintenance	220,056	-	220,056
Interest	2,272	4,282	6,554
Administrative late fees	2,092	-	2,092
Estoppel fees	16,375	-	16,375
Total revenues	1,852,821	189,105	2,041,926
Expenses:			
Salary and benefits	271,450	-	271,450
Rent/Occupancy	23,453	-	23,453
Ornamental maintenance	341,973	-	341,973
Turf maintenance	413,643	-	413,643
Irrigation maintenance	126,436	-	126,436
Fertilization/pest control	187,500	-	187,500
Lake management	157,980	-	157,980
Utilities	43,232	-	43,232
Repairs and maintenance	43,857	-	43,857
Administrative	22,132	-	22,132
Insurance	25,091	-	25,091
Professional fees	20,807	-	20,807
Enhancement project	24,795	-	24,795
Miscellaneous	76	-	76
Contingency	31,645	-	31,645
Depreciation	1,273	-	1,273
Replacement	-	34,150	34,150
Total expenses	1,735,343	34,150	1,769,493
Excess of revenues over expenses	117,478	154,955	272,433
Transfer	(1,664)	1,664	-
Fund balance - beginning of year	599,451	1,194,106	1,793,557
Fund balance - end of year	\$ 715,265	1,350,725	2,065,990

See accompanying notes to financial statements.

Palmer Ranch Master Property Owners Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Member assessments collected	\$ 1,550,816	184,823	1,735,639
Sarasota County Maintenance	220,056	-	220,056
Interest received	2,272	4,282	6,554
Other income received	18,467	-	18,467
Cash paid for operating expenses	<u>(1,747,017)</u>	<u>(29,180)</u>	<u>(1,776,197)</u>
Net cash flows from operating activities	<u>44,594</u>	<u>159,925</u>	<u>204,519</u>
Cash flows from investing activities:			
Purchase of certificates of deposit	(625,000)	(1,100,801)	(1,725,801)
Redemption of certificates of deposit	<u>525,000</u>	<u>904,166</u>	<u>1,429,166</u>
Net cash flows from investing activities	<u>(100,000)</u>	<u>(196,635)</u>	<u>(296,635)</u>
Decrease in cash and cash equivalents	(55,406)	(36,710)	(92,116)
Cash and cash equivalents at beginning of year	<u>251,015</u>	<u>286,448</u>	<u>537,463</u>
Cash and cash equivalents at end of year	<u>\$ 195,609</u>	<u>249,738</u>	<u>445,347</u>
Reconciliation of excess of revenues over expenses to net cash flows from operating activities:			
Excess of revenues over expenses	\$ <u>117,478</u>	<u>154,955</u>	<u>272,433</u>
Adjustments to reconcile excess of revenues over expenses to net cash flows from operating activities:			
Transfer	(1,664)	1,664	-
Depreciation	1,273	-	1,273
(Increase) decrease in:			
Accounts receivable	850	-	850
Prepaid insurance	(8,020)	-	(8,020)
Due (to) from other fund	(3,306)	3,306	-
Increase (decrease) in:			
Accounts payable	(3,263)	-	(3,263)
Prepaid assessments	<u>(58,754)</u>	<u>-</u>	<u>(58,754)</u>
Total adjustments	<u>(72,884)</u>	<u>4,970</u>	<u>(67,914)</u>
Net cash flows from operating activities	<u>\$ 44,594</u>	<u>159,925</u>	<u>204,519</u>

See accompanying notes to financial statements.

Palmer Ranch Master Property Owners Association, Inc.

Notes to Financial Statements

December 31, 2017

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 2017 assessments over expenses are carried forward to be applied to 2018 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, 2017

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, 2017.

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, 2017.

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, 2017, that could materially affect the financial statements.

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

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 2017 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

Palmer Ranch Master Property Owners Association, Inc.

Notes to Financial Statements – Continued

December 31, 2017

Note 3 – Future Major Repairs and Replacements – Continued:

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 – 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 5 – 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 \$220,056 for the year ended December 31, 2017.

Note 6 – Savings Plan:

The Association 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. Employee matched contributions totaled \$4,687 for the year ended December 31, 2017.

Palmer Ranch Master Property Owners Association, Inc.

Notes to Financial Statements – Continued

December 31, 2017

Note 7 – 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 8 – Subsequent Events:

Subsequent events have been evaluated through February 21, 2018, 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, 2017

Components	Balance 12/31/2016	Revenues	Interest	Expenses	Transfers	Balance 12/31/2017
Entry walls	\$ 228,206	9,520	767	-	38	238,531
PVC fencing	10,970	3,717	46	-	12	14,745
Entry landscape lighting	18,592	5,965	76	-	115	24,748
Street light resurfacing	482,242	85,194	1,797	-	1,106	570,339
Traffic signal resurfacing	93,087	27,085	281	(34,150)	416	86,719
Community identification signs - replacements	84,140	2,781	281	-	9	87,211
Community identification signs - capital repairs	21,238	(68)	69	-	(70)	21,169
Directional signs	54,201	8,862	200	-	190	63,453
Flagpoles	16,331	838	55	-	(6)	17,218
Entry pavers	57,331	11,222	216	-	136	68,905
Benches	6,035	204	20	-	(12)	6,247
Silt removal - restoration area F	34,991	7,681	134	-	(83)	42,723
Silt removal - restoration area D	25,143	4,731	94	-	(112)	29,856
Silt removal - restoration area C	33,124	9,190	132	-	(40)	42,406
Silt removal - restoration area G	22,083	6,127	88	-	(27)	28,271
Silt removal - restoration area H	6,392	1,774	26	-	(8)	8,184
Total	<u>\$ 1,194,106</u>	<u>184,823</u>	<u>4,282</u>	<u>(34,150)</u>	<u>1,664</u>	<u>1,350,725</u>

Palmer Ranch Master Property Owners Association, Inc.

Supplementary Information on Future Major Repairs and Replacements
 Year Ended December 31, 2017
 (Unaudited)

The following table is significant information on reserves:

	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Cost</u>
Entry walls	8-17	\$ 355,860
PVC fencing	10	44,505
Entry landscape lighting	9	71,000
Street light resurfacing	0-4	537,750
Traffic signal resurfacing	0	70,045
Community identification signs - replacement	8	125,350
Community identification signs - capital repairs	0	21,000
Directional signs	3	91,200
Flagpoles	9	37,100
Entry pavers	10-22	251,329
Benches	10	8,250
Silt removal - restoration area F	0	50,000
Silt removal - restoration area D	0	29,585
Silt removal - restoration area C	1	69,540
Silt removal - restoration area G	1	46,360
Silt removal - restoration area H	1	13,420