

**SPRUCE CREEK PROPERTY OWNERS ASSOCIATION, INC.**  
212-1 Cessna Blvd, Port Orange, FL 32128

**REGULAR BOARD OF DIRECTORS MEETING**

May 8, 2007

MINUTES

1. **CALL TO ORDER.** President Dawn Sautter called the meeting to order at 7:02 p.m. Other directors present were Alan Baltz, Jack Kihm, Bert Love and Tim Plunkett. With all board members present a quorum was declared.
2. **PROOF OF NOTICE.** David Slayback affirmed that this meeting had been properly noticed.
3. **COMMUNICATION.** A letter has been received from Eagles Crest Condominium association requesting relief from the requirement that their twelve (12) owners are responsible for paying twenty (20) annual assessments to the SCPOA. It was reported that the original developer sold 20 lots to another developer who actually built 12 units on the 20 lots. Tim Plunkett advised that this question had been reviewed with prior counsel who advised that the annual assessments are levied on the platted lots and not on the actual units built. Alan Baltz added that to reduce the assessments to Eagles Crest owners would mean that all other owners in Spruce Creek would have to pay a slightly higher annual assessment to make up the difference. Jack Kihm commented that a reduction seemed like a good idea. Alan added that a question of equity ought to be reviewed by current legal counsel. Bert Love raised the issue of whether the `1.6 assessments per home were in violation of the POA documents.

The Manager was directed to get a legal opinion from the attorneys and report back to the board.

4. **MINUTES.** The minutes of the April 6, 2007 and April 10, 2007 Board Meetings were presented. A correction was made to the April 10 minutes: Alan Baltz was not at the meeting as was reported. **Motion** by Bert Love, second by Alan Baltz to dispense with the reading of the minutes and approved them with the noted correction. The motion was approved unanimously.

5. **REPORTS.**  
**OFFICERS**

- 1) Dawn Sautter read the following comments:

“Memorandum for Record – May 8, 2007

Since the last Board Meeting we have individually and collectively worked with John Varsames of Spruce Creek Equities on his request for an easement via Spruce Creek Fly-In. a considerable financial increase was proposed in the revision of March 13, 2007. However, Mr. Varsames requested that a majority of the Board endorse this revision and that the proposal forward to the members for a vote. The Members of the Board were polled twice due to additional research regarding the proposal and due to a short lapse from the time of polling to the actual discussion

with Mr. Varsames. The consensus was that the Board could not endorse the proposal but did offer to take the proposal to the Community for a vote after the appropriate dissemination of accurate information. Mr. Varsames felt that without the endorsement of the board the vote would not be fruitful. He has withdrawn from any further discussions with the POA Board related to the easement.

The Board is now moving forward to the many other issues that need to be addressed in this Community.”

- 2) Bert Love – Updated the Board on 3 matters:
  - (1) The Audit of the 2005 financial records is just about completed.
  - (2) The Audit of the 2006 financial records is well underway and a report is expected by the end of May.
  - (3) The revision of the computer accounting program to convert line item accounts to the 2007 budget and to be able to produce reports is about completed.
  - (4) Bert stated that the Board will review all requests for out of budget expense requests.
- 3) Alan Baltz – Reported that he has been working in the office with the staff to help gather and provide the information requested by the audit staff. He complimented the audit team for the depth of their review and for their professional approach to their work.
- 4) Jack Kihm reported that he has recommended that violators of the POA C&Rs be reported to the Safety and Security Committee which committee may get involved in enforcing the C&Rs.

#### COMMITTEES

- 1) Airport Committee – No Report
- 2) Children’s Recreation – Jack Kihm reported that the committee would like to purchase a “bounce house” for its program. He is to check further on this and report back to the board.
- 3) Community Relations – The Co-Chairs of the committee for 2007 are Jean Franzone and Lois Nielson.
- 4) Safety & Security – Mike Hay reported that the Gate System has been in a full “testing” mode for the past few days and is ready to be put into full use. A number of owners have waited until the last minute to purchase the RFID units for their vehicles but the use of the gate system is expected to result in increased sales.
- 5) Public Works – Ray Gage reported
  - 1) The Bridge Inspection Report has been received. The structure is in good condition but the report notes (1) the road approach to the Spruce Creek end of the bridge is slightly elevated above the surface of the bridge deck and this elevation ought to be ground down so it is level with the bridge (this will remove the “drop” of a car when it enters onto the bridge) (2) the pads originally installed between the horizontal portion of the bridge where it sits on the vertical supports were asphalt shingle pads and are about worn out. New technology is to install Teflon pads and the engineer recommended that Teflon pads be retrofitted in the next few years to help the longevity of the

- bridge. (3) The rip rap which controls erosion of the embankments beneath both ends of the bridge needs to be replaced.
- 2) The bridge report also stated that a reduction of the weights of vehicles allowed on the bridge will substantially lengthen its life span by an estimated 20 years.
  - 3) A company has been hired to remove the old gazebo from Overlook Park to make room for a new structure.
  - 4) The Windsor Court wall along Spruce Creek Boulevard is to be painted in the near future. Bids are being solicited from contractors to do the work.
  - 5) We are using chemicals to kill vegetation growing in the water management swales as a test to see if this procedure will keep them clean without resorting to the expensive method using machines.
  - 6) At the last Board Meeting a report was given that there are not enough speed control signs along Spruce Creek Blvd. Additional signs have been placed, approximately each mile, as a reminder that the speed limit is 30 MPH.
  - 7) The fence at the end of Roscoe Turner Trail separating us from The Sanctuary, has been repaired and promptly cut by vandals. A witness has informed us that the fence is being cut by Spruce Creek people.
  - 8) A plan is being studied to improve the lighting of both entrances to Spruce Creek. The plan is to install adequate overhead lights to make the entries more appealing.
  - 9) An emergency telephone has been installed at the Children's Playground. The phone automatically connects to the North Entrance Gatehouse where security personnel will respond to an emergency call.

MANAGER – David Slayback reported that the computer accounting system has been in use for over 5 years and it is loaded with income and expense line items which make the entire system very cumbersome to use. A new set of books for 2007 has been created, using the 2007 Budget line items. Entries of 2007 Annual Assessments billed and collected and of 2007 invoices received and paid are being entered into the system. We are not yet at a point where financial reports, such as Balance Sheet, Profit and Loss Statements, etc, can be produced by the computer so manual reports have been created. These preliminary reports show that as of April 30, 2007 the association's expenditures are right on budgeted amounts. We expect to produce "official" reports within the next few weeks, and from then on.

## 6. OLD BUSINESS

1. Special Member Meeting-Vote on By-Laws Amendments. The proposed By-Laws Amendments dealing with the use of secret mail-in ballots for membership vote has been reviewed and approved by our attorney. The next step is to schedule a Special Membership Meeting at which the membership will vote on whether or not to adopt the proposed changes. The Board directed the Manager to schedule a meeting at the Spruce Creek Country Club. The suggested date is June 2, 2007 but if the club is not available then June 9, 2007 is satisfactory. (NOTE: Subsequent to the Board meeting the Country Club was contacted and a firm date of June 9, 2007 established. Sign-in will begin at 11:00 a.m. and the meeting will be called to order at 1:00 p.m.)

The Board noted that it is important that this vote on the use of mail-in ballots be completed at this time. Once in place votes of the membership can be conducted by the secret mail-in ballot procedure. Without the change in the By-Laws we will have to continue the use of general proxies for our voting.

The Board therefore recommends that all SCPOA members talk up the proposed amendments and encourage their friends and neighbors to return the "Limited Proxy" Form which will be furnished each member along with the official notice of the meeting. The Limited Proxy Form will be used to record each members vote on the question.

Though there will be an official membership meeting on June 9, its purpose is really to count the votes on the proposed amendment. It is not planned to hold discussions or a question-answer session on the amendments since a full description of the amendments and their purpose will have been provided to all members in the official mailing. Thus, owners attending the meeting will mostly be there to watch the counting.

2. Finance and Budget Committee. In response to criticisms that two people appointed to the Budget and Finance Committee did not meet the requirements of the Charter. Bert Love provided background information on Linda Graffeo and George Holmes relating to their past experience in finance and budget matters. Linda Graffeo handles the accounting for a family operated business and George Holmes handles the budget of \$1,000,000.00 for Woodside and in the past was in charge of a \$20,000,000.00 budget for the Suffolk County, NY District Attorney's Office.

Mr. Love commented that he felt the Resolution creating the Finance and Audit Committees approved by the Board on July 11, 2006 did not properly describe how the committees should function and made a **motion** "to rescind the 'Draft Resolution Creating POA Finance and Audit Committees' dated June 8, 2006 and approved by the Board of July 11, 2006 and to instruct the Treasurer to submit a new resolution no later than the Regular July Board of Directors meeting." The motion was seconded by Jack Kihm and approved unanimously.

Mr. Love then made a motion, seconded by Tim Plunkett, to appoint Mr. Arthur Faria, a business owner and long time Spruce Creek Fly-In resident to the Finance & Budget Committee. Approved unanimously.

## 7. NEW BUSINESS

1. Enclosures for Guard Houses. The Public Works Committee recommends that each of the guard houses be fitted with an enclosure around and over the area where the Security Personnel work with people wishing to enter the Fly-In. The new Gate System utilizes computer equipment which is sensitive to moisture from rain and humidity and therefore cannot be used outside the present perimeter of the buildings. The proposal is to enclose the area along side each guard house where the security personnel presently perform their duties. The enclosure wall facing traffic entering the Fly-In will have a stationary window, the wall alongside the guard house will have a 2 part sliding window assembly and the rear wall of the enclosure will have a door with a window so the personnel may see what may be happening in that direction and may exit the guard house when necessary. The enclosures will also have a

roof. It is constructed of 3" thick Styrofoam encased in aluminum sheeting which has the look of stucco and with a color which matches the existing guard house color. Two bids for identical structures have been received and the lesser bid of \$7,900 for both enclosures is recommended.

A **motion** was made by Dawn Sautter, seconded by Tim Plunkett to accept the bid from A+ Construction Company to build the 2 enclosures on the inbound sides of the 2 guard houses for a price of \$7,900. The motion was approved unanimously.

2) Tax and Accounting Issue.

- 1) Bert Love addressed the previous correspondence from Dean Mead...P.A., (a law firm specializing in accounting and tax matters) concerning the filed 2003 and 2004 SCPOA tax returns. Based on his review of the Dean Mead correspondence and his communications with James Moore and Company, our current auditors, Mr. Love made a **motion** "to take the advice of our tax professionals and take the position that our 2004 and prior years federal tax returns are correct as filed." The motion was seconded by Jack Kihm. A lengthy discussion ensued regarding the option offered by Dean Mean that if all of our reserve funds were expended on capital projects that we could take the position that our returns were correct as filed. James Moore and Company has advised that, in its opinion, all of our reserve funds were expended on capital projects in the years in question. Some directors disagreed with James Moore's opinion, stating that they believed we'd have potential tax liability. The motion was approved by a vote of 3 to 2 with Alan Baltz and Tim Plunkett voting against.
- 2) Mr. Love reported that the previous auditor had filed a 2005 Florida State Income Tax Return but such return is not legally required when the Association files a Federal Tax Form 1120-H (which it did). Mr. Love made a **motion** "to take the advice of our tax professionals to file an amended 2005 Florida Tax Return (Form F1120) reporting that a Florida tax return is not required for homeowners' associations filing federal Form 1120-H." The motion was seconded by Tim Plunkett and approved unanimously.

Gordon Millar, in the audience, advised the board that the SCPOA is a "Not For Profit" corporation and it is not an "HOA Corporation". Thus, the POA has no choice on whether to file a Federal Tax Form 1120 or 1120-H. The board said it would check this point to confirm that the tax forms used were proper.

- 3) Mr. Love discussed the matter of how to handle income from the commercially zoned properties in Spruce Creek. He reported that in 2005 the POA the income (annual assessments) from these properties as taxable income the current auditor has stated that this income is "exempt function" income

and not taxable. The auditor said there are tests on this income which the POA meets.

Mr. Love made a **motion** “to take the advice of our tax professionals to treat commercial assessments as ‘exempt function income’ when filing Federal Form 1120-H for 2006 and subsequent years.”

Following substantial discussion the motion was tabled while Mr. Baltz locates an opinion from Dean Mean believed to be in opposition to this motion.

- 4) Mr. Love discussed the tax matter of Capitalization of Capital Real Property. The prior auditor was asked to capitalize roads and taxiways but the current Auditor says they should not be capitalized and if this is done for the 2005 Tax Return it will have to be reversed on the 2006 Tax Return. Mr. Love made a motion ”to take the advice of our accounting professionals to not book a 2005 prior period adjustment mainly for recording roadways and taxiways.” The motion was seconded by Alan Baltz. During discussion a question was raised whether the former auditor was in agreement with the current auditors on this question. The motion was approved by a vote of 3-2 with Alan Baltz and Tim Plunkett voting against.

3. Contract Proposal. A proposed contract was presented by The Update to pay Peach Gazda the sum of \$800.00 per month to handle the layout production for each of the year’s Update issues. A **motion** was made by Tim Plunkett, second by Alan Baltz, to approve the contract. The motion was approved unanimously.

8. OPEN DISCUSSION - None

9. ADJOURNMENT – with no further business to come before the board the meeting was adjourned at 9:11 p.m.

Jack Kihm, Secretary