

June 2006

**Annual Report of
Salt Pond Board and Committees
For SPHA Annual Meeting
June 3, 2006**

Salt Pond Board Report

The Salt Pond Board has four main types of responsibilities:

- oversight of daily operations and upkeep of the common areas, facilities, and grounds;
- maintaining the financial records, along with preparation, approval and monitoring an annual budget and long-term financial projections for the association;
- making policies and amending rules and regulations governing the common areas and recreational facilities; and
- negotiating with the developer, Salt Pond Associates (SPA) to complete the transfer of common areas and recreational facilities to the homeowners' association (SPHA).

Oversight. Working closely with Legum & Norman (L&N), the association's property manager, the Board oversees management, maintenance, and repair of the Salt Pond Community Center, indoor and outdoor recreational facilities, landscaping of common areas and roadways in the community. In this capacity, the Board solicits, reviews, and approves maintenance and repair contracts for the community center, pools, tennis courts, cleaning, heating/cooling systems, landscaping, street light maintenance, and roadways. The Board reviews recommendations made by the various Committees and individual homeowners, and works with Committees to implement approved projects, monitor necessary maintenance and repairs, and make improvements throughout the community. The Board also arranges for many of the smaller tasks (e.g., touch-up painting, small carpentry jobs, power washing) to be done by a handyman, thereby saving money and getting the work done faster.

During the last year, the Board's actions have resulted in many accomplishments. Some of the highlights include:

- moving forward on a number of major projects, while keeping costs under control and operating within the constraints of a balanced budget,
- continuing to maintain good channels of communications with the Corps of Engineers (COE) and State environmental agency (DNREC) on ponds and wetlands issues, including:
 - organizing site tours of the ponds and wetlands for both agencies in the Fall of 2005, and
 - at DNREC's request, drafting a revised Conservation Easement document and Ponds and Wetlands Management Plan, in anticipation of the transfer of these lands to SPHA,

- improving the appearance of the Community Center by reupholstering the sofa, chairs, valance, enhancing safety by adding smoke detectors and another fire extinguisher, installing a new mail room door, and many small handyman projects,
- completion of engineering studies of the Community Center and recreational facilities, with an assessment of the roads currently underway,
- necessary patching of potholes in the roads and posting of new stop and speed signs around the community,
- maintenance to the outdoor pool deck, repair of pool furniture, and safety and security improvements at the outdoor pool,
- installation of a street light at the back entrance to Salt Pond at McCoy's Way at no cost to SPHA,
- closer supervision of the landscaping company throughout the summer season and development of more detailed landscaping specifications, resulting in an improved appearance of flowers at Community Center and better maintenance of medians and easements,
- issuance of new photo IDs, along with guest cards and rules and regulations on recreational facilities for owners and their families,
- continuing to improve SPHA's newsletter, which gives quarterly updates on Board actions and community activities in the Salt Pond.

The Board also has a number of plans in the works plans for:

- repair of cracks and coping stones in the indoor pool, refurbishing of the pool deck and spa,
- repair and painting of the fence around the outdoor pool and new edging of the perimeter to keep gravel off the pool deck,
- completion of the resurfacing of one of the tennis courts at the Community Center,
- installation of new street signs, with highly reflective lettering for better night-time visibility,
- re-lining of the SPHA side of the parking lot, and
- improvements to the area near the Community Center mail room.

Finances. The Board also monitors the financial condition of the SPHA closely, based on monthly reports provided by L & N's accounting department. As the end of summer approaches, the Treasurer and L & N compare year-to-date income and expenses with the approved current year budget, make year-end projections, and prepare a draft budget for the next calendar year for Board review. Committees provide estimates for the upcoming year's expenses, the Board assesses priorities and proposed funding for routine and special projects, and approves the budget for the year beginning in January. Before year-end, L & N mails out the budget approved by the Board and announces the amount of annual dues for the year. For 2006, the Board approved an increase in annual dues to \$770 for single family homes and \$385 for undeveloped lots. This modest increase of 7% was necessary to keep pace with rising prices due to inflation.

At least once a year, the Board develops projections of longer-term revenue and expense and updates its plan for longer-term capital improvements. In 2005, the Board hired an engineering firm to assess the condition of the community center and recreational facilities, and in early 2006, it authorized an assessment of the Salt Pond roadways in order to get a better understanding of long-term expenses in these areas. In the two calendar years since the initial and resale assessments was instituted (\$500 levied when Salt Pond property is sold), SPHA has accumulated \$ 34,000 (68 sales/resales) and these monies are deposited in a separate capital fund for future capital improvements. If sales continue at about the same rate, the Board projects that these assessments will add up to approximately \$ 100,000 in six years. These monies will be used to finance capital improvements for roads, pools, etc., for the Salt Pond.

Attached to this report are materials prepared by the Board Treasurer that provide

- a comparative income and expense statement for 2005 actuals, as well as the approved Salt Pond budgets for 2005 and 2006; and
- a balance sheet, as of December 31, 2005.

L & N s' monthly financial statements are available for owners' review at the L&N s' Bethany office. Please call ahead to arrange a convenient time to view these documents.

Policies, rules, and regulations. The Declaration of Covenants and Bylaws provide rules and regulations that govern planned communities, like the Salt Pond. The Salt Pond Covenants cover the common areas, recreational facilities, membership and voting rights, architectural control, use covenants and restrictions, and enforcement of covenant provisions. The Bylaws of SPHA cover powers and duties of the Board, annual and special meetings, membership and voting rights, and other procedural and organizational matters related to SPHA. Both documents also provide the Board with authority to make, amend, apply and/or interpret rules and regulations governing the use of and activity upon the common areas and recreational amenities. All those buying in the Salt Pond agree to abide by the Salt Pond Covenants and Bylaws.

In the course of its monthly meetings, the Board is continually encountering new situations and making, adapting, or interpreting policies to cover them. The Board undertakes reviews of specific policies and rules and regulations from time to time, with goal of ensuring that our facilities are safe, well-maintained, and pleasant; our community's lovely appearance is maintained; and our property values protected.

Transition update. Your SPHA Board continues to press for completion of a global agreement with the developer on all outstanding issues relating to the development and ongoing operation of the Salt Pond community, including the transfer of common areas, including the Community Center, recreational facilities, roadways, ponds and wetlands, the ongoing interest of the developer in the land surrounding the Salt Pond community, including the golf course, and other miscellaneous issues from the developer, SPA, to the homeowners' association (SPHA), on terms acceptable to the Board, on behalf of the SPHA homeowners. It is a difficult, time-consuming, and complicated process, which

can be confirmed by anyone who has served on the Transition Committee or Board over the years.

The transition has been further complicated by unresolved issues relating to the 1994 Consent Decree between the U.S. Corps of Engineers (USCOE) and the developer, which is still in effect. The CD also includes a Conservation Easement (CE), which needs to be revised before transfer of ponds and wetlands to SPHA. The issues related to the CD and CE involve Federal, and State environmental laws and regulations, and have substantial implications for any transition of common areas to the homeowners association.

Throughout the process, our main objective has been to protect the homeowners' interests and property values, and ensure that no financial liability from past actions/inactions of the developer related to the CD or CE will carryover to the homeowners' association. The goal is to have a global agreement on all lands and assets to be transferred, which leaves SPHA in total control of the transferred common areas.

Your SPHA Board believes the developer is acting in good faith in the negotiations and that we are close to a global agreement with the developer that would resolve all issues satisfactorily. Prior to reaching agreement, your SPHA Board is not at liberty to divulge the details of the negotiations or the proposed agreement, because of the sensitive nature of the negotiations and to ensure that we can reach agreement. This is also based on advice of SPHA counsel and confidentiality requirements of the developer.

Once the global agreement is completed, your SPHA Board will present the specifics to the owners in a special homeowners meeting. Owners will have ample opportunity to comment, ask questions, and get answers. Most importantly, owners will be able to vote on whether to accept the agreement, which would require a 2/3 vote of the homeowners.

Your Board has been working very hard to get to the point where it could inform the homeowners, and homeowners will make the final decision on the agreement, as set forth above. We will keep you informed of the status of negotiations.

Board meetings. Owners are welcome to attend the monthly Salt Pond Board meetings, which are usually held on the third Friday of the month at 2 pm at the Salt Pond Community Center. If Board meetings are rescheduled, a notice will be posted in the Community Center mail room.

If you wish to be on the agenda at a Board meeting, please notify a Board member or Donna Hemphill at L & N in advance, provide the topic you wish to discuss and any supporting written information, comments or suggestions in advance to the L&N by mail, fax (302-539-1447), or email (dhemphill@lnresorts.com). At these meetings, we ask that you limit your oral comments to three minutes.

The Board is committed to keeping owners informed and will continue to provide information on a regular basis through mailings and the newsletter.

--- Submitted by Bev Thierwechter and approved by the Board

Architectural Review Committee Report

During the past year, the Architectural Committee received requests from over 23 owners and prospective owners to review plans for new construction of homes and modifications to the exterior of existing homes, including additions and decks. (Only 5 requests of the 23 were for new homes) As stipulated in the Salt Pond Covenants and the Architectural Standards, the Architectural Review Committee has exclusive jurisdiction over all original construction, modifications, additions or alterations to all existing improvements on all single family homes and lots in the Salt Pond and is charged with the responsibility of interpreting the intent of the covenants to promote, preserve and protect the design and environmental qualities of the Salt Pond.

In most instances, the submittals received this past year for review by the Committee met Salt Pond requirements and, with the exception of some minor notations on the drawings, were approved. In some instances, the submittals took longer to approve because they did not contain sufficient information to evaluate and the owners were requested to furnish additional data. In a few cases, the submittals were rejected, because they were not compatible with the surrounding area or failed to meet Salt Pond Architectural Standards.

Additional responsibilities of the Committee include monitoring contractor activities to see that they conform to the Contractor Rules and Restrictions for Construction and Property Improvements that contractors are given prior to commencing any construction related activities.

Please note the fees are due to Architectural Review Committee, on behalf of the homeowners' association, at the time of submittal, under the following conditions:

- ∩ For new construction, there is a one-time \$1,000 escrow, payable by owners to the Architectural Review Committee, and refundable at the time that the home and landscaping are completed.
- ∩ New house plans submitted for approval must have a check for \$200 attached. This amount is non-refundable.
- ∩ Any renovations, additions, or exterior changes with a plan must include a check for \$100. This amount is non-refundable.
- ∩ All checks should be made payable to the Salt Pond Architectural Review Committee.

Homeowners are be reminded that the Covenants and Architectural Standards require any exterior modifications to the home (excluding exterior painting the original color) or

property (including ,but not limited to, tree removal and clearing of vegetation, driveway modifications, etc.) be reviewed by the ARC.

The Committee would like to thank its dedicated members for their work for the Salt Pond Community. They are: Donna Villani, Chair; Ed Berger, Ken Dunn, Phil Fleming, and Frank Pryal.

-- submitted by Donna Villani

Landscaping Committee Report

Thanks for all the positive comments received throughout the year from owners regarding the overall look of the commons areas in Salt Pond for which the Committee is responsible. The Committee invested quite a bit of effort this past year making sure our landscaping company did it what are supposed to do, when it was supposed to do it.

The stage was set for improvement this year from the moment the Invitation to Bid was being developed. The specifications were much more detailed than previous IFBs, clearly defining just exactly what the contractor was to bid. The prospective bidders were provided an extensive bid package, complete with multiple, detailed diagrams/graphics identifying the areas to be maintained. One of the areas hit hardest in the specifications was better care of medians and easements.

In addition to oversight of the landscaping contractor, members of the Committee formed a work detail to prune the trees around the outdoor pool and the crepe myrtles on the back patio. The Committee was instrumental in getting sod installed around the new playground, and has plans to install edging around the perimeter of the outdoor pool to keep the gravel off of the pool deck (volunteers welcome!).

Lastly, you may have noticed a nearly dead willow oak in the parking lot. A Committee member was at the point of applying a chain saw to the trunk, when he noticed that the tree contained an active bird nest. The chain saw was put away awaiting the birth and departure of a family of baby birds before we bring their home to the ground.

-- submitted by Louis Herndon, Committee Chair

Engineering Committee Report

During this past year the Engineering Committee was involved in various activities in the interest of Salt Pond Community:

- Arranged for installation of a street light at the back entrance to Salt Pond at McCoy's Way, courtesy of Rep. Gerald Hocker, with funds from the State of Delaware.
- Extensive engineering assessment of the Community Center and recreational facilities (which will be transferred to the homeowners association), were

contracted for and completed. The Engineering Committee helped to develop the specifications for the assessments and to evaluate the resulting recommendations.

- On the street signage front, the Committee finished installing stop signs ,which are easier to see, and was given permission by the developer to put up 20 MPH speed signs to replace the ones that had been stolen. We now have the OK to put up street name signs, which will be more clearly visible both day and night. The Board is looking at style of lettering etc .
- Occasional minor road patching was done to supplement the contract to repair potholes that was negotiated by the Board. The board is currently studying the next step that should be taken on roadway upkeep.
- The Committee has also organized a work party to repair the wooden inserts between paving stones on the outdoor pool deck.

The Engineering Committee wishes to acknowledge and thank the following Salt Ponders who worked on the various projects which were done this year . Thanks again to Frank Cappella , Chuck Gates , Bud Hillman , Bill Loschmann , and Al Stango .

– Submitted by Ray Miller

Recreation Committee Report

The members of the Salt Pond Recreation Committee were involved in the following activities during the 2005 calendar year to mid-2006:

- Processed the 2006 photo IDs and prepared the information packets (with rules and regulations and guest pass for each owner), along with other homeowner volunteers,
- Made recommendations on shower floor mats to cover the shower area of mens and womens bathrooms in Community Center.
- Researched the purchase of a cover for the outdoor pool, which was mandated by the insurance company,
- Made recommendations to the Board of Directors for furniture repair accomplished prior to opening the outdoor pool for the 2006 summer season,
- Researched a maintenance contract for fitness equipment,
- Made recommendations to the Board of Directors for repair and maintenance of the shuffleboard courts, the spa, and indoor pool.
- Sponsored a work day at the outdoor pool to clean the deck and furniture in preparation for opening day,
- Continue to train indoor pool attendants and coordinate their work schedule, so that SPHA has attendants at the recreational facilities for hours of operation of the indoor pool and spa, fitness center, tennis courts, and outdoor pool.

The Committee continues to respond to requests from the Board to evaluate, research, and contact vendors, monitor the equipment and condition of the recreational facilities, purchase supplies, and do whatever it can to be of service to the Board and the community to keep the amenities safe and functioning effectively.

The Committee would like to thank all members of the Recreation Committee, all of whom put in long hours to keep our recreational facilities operating well. The Committee would also like to thank all those who work as attendants at the Community Center throughout the year.

--- Submitted by Bill Kester

Wetlands and Ponds Committee Report

First, I like to inform you that Jim Kennedy has resigned for personal reasons from the SPHA Board and as Chairman of the Ponds and Wetlands Committee. I'd like to take this opportunity to thank Jim for doing an outstanding job with the ponds and wetlands. Significant advances have been made to strengthen the position of SPHA relative to protecting the homeowners' interests and making sure the ponds and wetlands are properly managed in the future.

Almost half of the land in the Salt Pond Community is designated as Federally-regulated wetlands, most of which is to be transferred from Salt Pond Associates (SPA) to the Salt Pond Homeowners Association (SPHA). In 1994, SPA entered into a Consent Decree with the U.S. Corps of Engineers (USCOE) to correct environmental violations in over forty mitigation sites within the ponds and wetlands. To date, this Consent Decree has not been fully satisfied. The SPHA Board and the Ponds and Wetlands Committee have been working toward:

- Protecting the homeowners against any transfer of legal or financial liability,
- Using whatever resources that are cost effective and practical to require that SPA manages and maintains the ponds and wetlands per the requirements of the Consent Decree,
- Having a plan for SPHA to manage and maintain the pond and wetland areas after the transfer of properties.

On September 20, 2005, a site tour was conducted for the USCOE by SPHA officials, our environmental consultant (Envirotech Environmental Consulting, Inc.) and our environmental attorney (Roger Truitt). The conditions observed on September 20th and as graphically depicted in the photographs in the tour handout plus substantiated by chemical analyses, showed that most of the ponds have been negatively impacted by algae, nuisance vegetation, and invasive phragmites. A detailed report was submitted to the USCOE with a copy for SPA for their consideration. In addition, the report contained recommendations for the steps necessary to restore the neglected ponds and adjacent wetlands to conditions which existed in the mid 1990s, when many of the homeowners purchased lots and/or built homes in Salt Pond. All of these recommended restorative actions were consistent with the express requirements of the Pond Management Plan,

which is attached to the Consent Decree, that directs that all ponds, shall be actively managed and maintained by (SPA) on an ongoing basis. "The clearly stated objective of the Pond Management Plan is to maintain the ponds in a state where they are open water of a quality supportive of human recreation and viable fish populations. "

The Consent Decree also establishes that there will be a Conservation Easement (CE) within the ponds and wetlands area of Salt Pond Community (not the golf course) under the trusteeship of the Delaware Department of Natural Resources and Environmental Control (DNREC). The purpose of a conservation easement is to preserve and protect the conservation values and to assure that the CE area will be retained forever in its scenic, open space, and natural character. On October 28, 2005, DNREC participated in a site tour similar to the one with the USCOE with the purpose of showing DNREC the current state of the ponds and wetlands and to discuss the future trusteeship. DNREC acknowledged after the October 28 tour, that the ponds and related wetland areas that are within the proposed CE area have been allowed to deteriorate and currently do not meet DNREC's conservation easement requirements for accepting trusteeship.

DNREC requested that SPHA prepare a draft of a CE document, specifically for Salt Pond Community, including a Pond and Wetlands Management Plan (PWMP). The PWMP provides a comprehensive, active environmental management plan and generalized implementation procedures for the continued maintenance and management of the ponds and wetlands, including estimated costs. These are lengthy legal and technical documents which were submitted to DNREC in February 2006, and which will be of use to SPHA when it takes over responsibilities for the CE.

In summary, SPHA has invested considerable resources to evaluate the ponds and wetlands in planning for eventual proposed transfer of these areas. It must be understood by the homeowners that there will be an ongoing cost for management and maintenance of the ponds and wetlands after the property transfer. The baseline conditions will probably be established by the terms by which the Consent Decree is satisfied. In addition, it is not yet clear what role will be played by DNREC, as a trustee of the CE, since most of their experience with conservation easements has been with large, open spaces and not adjacent to a large number of property owners. DNREC is concerned over their cost of enforcement. This issue is still under discussion.

The Committee would like to thank its members for many hours of service to Salt Pond. Current members are: Dick Register, Bill Frick, Dick Marks, Paul Marley and Paul Thompson.

--- Submitted by Dick Register

Note: See pages 10 through 12 for Salt Pond Homeowners Association Financial Statements.

EXPENSES	ACTUAL 2005 31-Dec-05	APPROVED BUDGET 2005	APPROVED BUDGET 2006
Repairs & Maintenance			
General Supplies	\$ 466	\$ 500	\$ 700
Building Maintenance	\$ 9,669	\$ 11,000	\$ 11,000
Play Grounds/Grounds	\$ 8,174	\$ 23,000	\$ 5,880
Roads	\$ 4,388	\$ 12,000	\$ 24,260
Pool Repairs/Maintenance	\$ 8,007	\$ 12,000	\$ 7,000
Pool Management	\$ 38,100	\$ 45,300	\$ 45,300
Clubhouse	\$ 7,569	\$ 15,000	\$ 10,000
Leisure Fitness	\$ 1,165	\$ 1,000	\$ 4,500
Lawn Care/ Landscaping	\$ 78,970	\$ 66,000	\$ 70,500
Street & Pool Lights	\$ 7,188	\$ 4,000	\$ 6,000
Environmental Services	\$ 4,198	\$ 5,000	\$ 2,000
Total	\$ 167,894	\$ 194,800	\$ 187,140
Maintenance Contracts			
Cleaning	\$ 4,400	\$ 7,400	\$ 7,400
Snow Removal	\$ 330	\$ 1,200	\$ 1,200
Trash Removal	\$ 46,385	\$ 37,600	\$ 40,600
HVAC	\$ 4,601	\$ 3,000	\$ 3,500
Total	\$ 55,716	\$ 49,200	\$ 52,700
Taxes & Licenses			
Income/Real Estate Taxes	\$ 77	\$ 770	\$ 200
Total	\$ 77	\$ 770	\$ 200
TOTAL			
OPERATING EXPENSES	\$ 413,621	\$ 429,420	\$ 443,860
NET SURPLUS(DEFICIT)	\$ -	\$ -	\$ -
CAPITAL CONTRIBUTIONS	\$ 19,000	\$ 19,500	\$ 19,500

SPHOA Meeting June 06

BALANCE SHEET

ASSETS

Current Assets

B B & T Bank	\$	111,847	
Reserve Money Markets	\$	22,853	
Escrow Investments	\$	42,381	
Petty Cash	\$	77	
TOTAL CASH			\$ 177,158
A/R Delinquent Assessment	\$	2,662	
A/R Taxes/Other	\$	5,261	
Prepaid Insurance	\$	2,168	
TOTAL OTHER CURRENT ASSETS			\$ 10,090

TOTAL ASSETS

\$ 187,248

LIABILITIES & ASSOCIATION EQUITY

Liabilities

Accounts Payable	\$	47	
Accrued Expenses/Transfer Fees	\$	1,106	
Returned Checks, Fees Payable	\$	35	
Federal Withholding Taxes Payable	\$	381	
Unemployment Taxes Payable	\$	103	
Delaware Withholding Taxes Payable	\$	(10)	
Escrow(\$1000 landscaping fee)	\$	34,000	
Prepaid Assessments	\$	47,682	
Neighborhood Watch Program(Grant)	\$	565	
TOTAL LIABILITIES			\$ 83,910

Association Equity

Retailed Earnings	\$	7,404	
Replacement Reserves	\$	95,934	
Surplus(Deficit) 2005	\$	-	
TOTAL EQUITY			\$ 103,338

TOTAL LIABILITIES & EQUITY

\$ 187,248

