

**ANNUAL REPORT OF THE SALT POND BOARD OF
DIRECTORS
AND COMMITTEES FOR THE SPHA ANNUAL MEETING
JUNE 6, 2009**

SALT POND BOARD OF DIRECTORS REPORT:

The Salt Pond Board of Directors (BOD) has four major responsibilities:

- Oversight of the daily operations and upkeep of the common areas, facilities and grounds
- Maintain the financial records, along with preparation, approval and monitoring an annual budget and long-term financial projections for the association
- Make policies and amend the rules and regulations governing the common areas and recreational facilities
- Oversight of the activities of the golf course operations

Working closely with our property manager (we became self managed in January '09) the BOD oversees management, maintenance, and repair of the Salt Pond Community Center, indoor and outdoor recreational facilities, roadways, and landscaping of the common areas in the community. In this capacity the BOD solicits, reviews and approves maintenance and repair contracts for the community center, pools and tennis courts. It also oversees the cleaning, heating and cooling systems, landscaping, street light maintenance and roadways. The BOD reviews recommendations made by the various Salt Pond Homeowners Association ("Association") committees and individual homeowners and works with committees to implement approved projects, monitor necessary maintenance and repairs, and make improvements within the community. The BOD also arranges for many of the smaller tasks to be done by a handyman or some of the golf course crew off season thereby saving money and completing projects in a timelier manner. In addition the BOD is overseeing the operations and activities of the golf course operations and is working with its Board of Directors on a continual basis.

Board of Directors Meetings: Owners are welcome to attend the monthly BOD meetings normally held on the third Friday of each month at 2:00pm in the Salt Pond Community Center. If the BOD meetings are rescheduled this notice will be posted in the mail room and on the web site. The meeting agenda is also posted in the mail room the week of the meeting.

All homeowners are invited to speak with a special agenda location designated for this activity. Homeowners may also address brief questions during normal committee and Board business at the discretion of the president. The BOD is committed to keeping homeowners informed and will continue to provide information on a regular basis through e-mails, mailings, newsletters and the website (sphamembers.org)

Policies, Rules and Regulations: Declarations of Covenants and Bylaws provides 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 cover powers and duties of the BOD, annual and special meetings, membership and voting rights, and other procedural and organizational matters related to the Association. Both documents also provide the BOD with the 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 BOD is continually encountering new situations and making, adapting or interpreting policies to cover them. The BOD undertakes reviews of specific policies and rules and regulations from time to time with the goal of ensuring that our facilities are safe, well maintained and pleasant. The BOD maintains the appearance of the community and protects our property values.

Presidents Report: This year has seen much activity and change here in the Salt Pond:

- In January we terminated the services of Leggum and Norman Management Company and became self managed. This was a result of a special committee spending six months reviewing and comparing the programs and costs of other management companies. The result was that much of the work these companies were charging us to do we were doing ourselves. Since the Chief Financial Officer for the golf course, Wendy Parker, agreed to work also for the homeowners association the biggest hurdle to the transition was averted. Resident Mary Davis was hired as a part time community manager and an office was established in the community center. To date this venture appears to be a wise decision and there is little doubt we will be saving money.
- Last summer the BOD was advised that the large number of kayaks stored on the public beach was causing extensive erosion and permanent damage. We were advised to remove all water vessels from the ground and DNREC gave us permission to build kayak racks. During the winter months some of the golf course crew cleaned up the fallen trees and underbrush and made a path to the launching area. Resident Frank Cappella assisted by Al Stango constructed fifty (50) slots for kayaks and canoes. These slots were quickly reserved and we have an extensive waiting list. In the fall the BOD will review the situation and make decisions about the possibility of building additional slots.
- As you ride on the six and one-half miles of roadways here in the Salt Pond it is evident that they are in need of repaving. Last year we did some emergency repairs to the cost of \$40,000. In order to pave the roads we are looking at a cost of about one million dollars. Our reserve funds cannot cover this cost. However, we were advised of a program

sponsored by Sussex County to benefit homeowner associations. The county would subcontract the paving and the homeowners would be billed on the property taxes over a period of time for the work. At the present time the bill is before the county council and we are being considered for participation in this program. However, before we are accepted each homeowner will be contacted and we will need a majority to agree to the plan. Otherwise we may be looking at a special assessment in the next two years.

- At our May BOD meeting Conrad Gregory, Town Manager for Ocean View, spoke to the Board and interested homeowners about the proposed bike path that is being proposed to run along the canal from Ocean View to Fenwick Island. This proposal will have an impact on the community and we have a four person committee who will be attending the planning meetings. DNREC owns the property along the canal and is very involved in the project. You can keep abreast of the situation on our website.
- Through the research of resident Max Seawald we are now purchasing our electricity for the community center and golf course from Washington Gas. This will give us a saving of about \$10,000 per year. Check the website for information how individual homeowners can take advantage of this program.
- If you have been in the community center since January you have seen a significant change in our facilities. Through the efforts of a number of volunteers we have had a major makeover. They devoted time and energy painting the recreational facilities, bathrooms and the back room of the community center. A company was hired to paint the large room and kitchen. These volunteers saved this community thousands of dollars.
- Another new addition is the installation of a flag pole in front of the community. Again we have to say a thank you to Frank Cappella and Al Stango who did the installation.
- Our second annual pool party and picnic for homeowners and their families will be held on Saturday, July 25th from 3:00-6:00PM. Volunteers are welcome. The rain date will be on July 26, 2009

The number of residents who have given of their time and talent this past year is truly remarkable. Without their coming forth to help, this community would not look as beautiful as it does. We are very fortunate to be "Saltponders". Gerry Buckley

Committee Reports:

FINANCES: Chuck Gulerson, Treasurer. In the summer of 2008, the BOD initiated the 2009 Budgeting process. This step was a thorough and lengthy process involving every Board member and Committee chair. Committees provided estimates for the upcoming year's expenses; and the BOD determined priorities, proposed funding for routine and special projects, and approved the budget for the calendar year beginning January 2009. Every year, the BOD monitors the financial condition of the Association closely against the budget, based on monthly reports produced by the SPHA Accounting System. The Treasurer and Finance Manager work together with committee heads, maintaining close contact to assure financial activity is within the parameters of the budget. During this same time period, the BOD developed projections of longer-term revenue and expenses and updated its Reserve Plan for long term capital improvements through 2024. In April 2009, the Finance Committee started to post the quarterly SPHA profit and loss statements on the SPHA web-site. Financials for the Golf Club will be posted starting in June 2009 after the audit is completed. More detailed financial statements and the 2008 Audit Report are available for owners' review at the SPHA Management Office. Please call ahead to arrange a convenient time to view these documents. (The Association and the Golf Course 2009 Budgets are included at the end of the annual report.)

GOLF COURSE REPORT

The Salt Pond Golf Course Operations, Inc. completed its first year of operation on a successful note. The budget was met, keeping the obligation to the IRS at a minimum. Our thanks to Chuck Gulerson (treasurer), Bruce DeForest (general manager), Art Whaley (golf professional), and Wendy Parker (financial manager) for all their hard work and sometimes exhaustive hours leading to the Corporation's success.

I'm sure most of you have noticed the excellent condition of the course this season. Our maintenance crew is to be congratulated for their expertise in keeping it in condition equal to, or better than, our neighboring courses.

Although the weather and the economy have slowed play early this season, we are looking forward to increased play as spring concludes and the summer progresses.

The Golf Board of Directors meets monthly on the third Friday of the month in the community center at 12 pm. If you are in the area you are welcome to attend. The President, Treasurer, and Financial Manager meet weekly to discuss golf issues and there is a monthly meeting with the General Manager and Golf Professional to discuss budgetary information and to talk about ways to improve our course, and play. In addition, all Directors and essential personnel are in constant electronic conversation regarding immediate concerns that require attention.

Our snack shack, Birdies is open again this year under the capable hands of Caryn McIntyre of MacCatering. In addition we have added a food and beverage cart to our offerings to the customers. We invite you all (golfers and non-golfers) to give Birdies a try. You will be pleased with the offerings.

See you around the proshop...

Bill Kester
President, Salt Pond Golf

Salt Pond Homeowners Association	
Approved Budget for 2009	
Income	2009
Annual Fees	\$ 531,268
Pool & Tennis Court	\$ 9,000
Mowing Fees	\$ 11,070
Club Rental	\$ 5,000
Misc. Income	\$ 1,500
Interest Income	\$ 9,349
Arch Fees	\$ 1,000
Total Operating Income	\$ 568,188
Trash Fees	\$ 54,205
Total Income	\$ 622,393
Income	2009
Providing Recreational Amenities:	
Recreation:	
Pool Management Contracts	\$ 38,452
Pool Repairs and Maintenance	\$ 10,600
Pool and Staff Payroll	\$ 49,478
Play Grounds/Tennis	\$ 2,667
Fitness Equipment and Maintenance	\$ 2,497
Total: Recreation	\$ 101,684
Maintaining Our Common Property:	
Ponds and Wetlands Maintenance	\$ 48,397
Lawn Care & Landscaping	\$ 52,000
Salt Pond Entrance Signs, Landscaping, etc.	\$ 19,200
Roads	\$ 3,000
Snow Removal	\$ 773
Street Light Repairs/Maintenance	\$ 7,426
Common Grounds	\$ 3,000
Total: Common Property	\$ 131,796
Maintaining The Community Center:	
Community Center Operations/Maint	\$ 33,475
Com Center Cleaning/Maint Contracts	\$ 18,793
General Supplies	\$ 1,883
Total: Com. Center	\$ 54,151
Managing Community Operations:	
Management Activities	\$ 30,000
Paying Overhead Costs:	
Utilities	\$ 81,730
Taxes	\$ 4,525
Legal, Auditor and Insurance	\$ 32,350
Newsletter/Website	\$ 1,300
Administrative	\$ 8,000
Total: Overhead	\$ 127,905
Total Operating Expenses	\$ 445,546
Trash Expenses	\$ 55,819
Total Expenses	\$ 501,365
Transfer to Reserves	\$ 120,000
Surplus for Unprojected Expenses	\$ 1,225

2009 Salt Pond Golf Course Budget

Income	Totals
Golf and Pro Shop Revenues	729,300
Other Income	25,423
Total Income	<u>754,723</u>
Expenses	
Administrative	72,653
Depreciation	70,200
Insurance	27,100
Property Tax	9,180
Taxes	1,377
Marketing	28,664
Merchandise Expenses (COGS)	35,631
Snack Bar Expenses	2,800
Pro Shop Personnel Expenses	66,707
Golf Course Expenses	25,238
Maintenance Personnel Expenses	208,842
Maintenance Expenses	40,960
Ground Maintenance	92,500
Fuels	21,000
Payroll Taxes	27,028
Total Expenses	<u>780,880</u>
Net/Profit/(Loss) Before Depreciation	74,043
Less Depreciation	70,200
Earnings/(Loss) Before Taxes	3,843

5/28/2009

Landscape Committee 2008-09

- Bids for Landscaping Contracts were mailed to four landscape companies.
- Lawnworks Landscaping was chosen to do landscaping maintenance in 2009.
- Fall mums and cabbages were planted around recreation center and entrance at McCoy Way.
- Eighteen crepe myrtles on Bethany Loop and Canal Way West were planted; homeowners purchased these. Fifteen memory plaques were installed.
- Salt Pond Women's Club purchased two arborvitae for entrance to recreation center. Overgrown trees were removed.
- Installed paved walkway on parking lot.
- Ordered spring flowers in December 08 from Lakeside Greenhouses in Laurel, DE.
- The first cutting of lots and median strips were completed on 3/31 and will continue throughout the mowing season as needed. We are responsible for cutting 41 lots.
- A rock wall was installed around the flagpole and rocks were added around two flowerbeds to prevent mulch from washing onto the parking lot.
- Old shrubs were removed from around recreation center and new ones were planted.
- Eleven new crepe myrtles were planted and memory plaques have been ordered. The homeowners purchased these.
- Spring flowers have been planted.
- Note: All flowers and shrubs are being planted by the volunteers saving the SPHA approximately \$10,000 per year.

Loeda Stango
Landscape Committee Chairperson
May 26, 2009

Communications: Gary Clipp, Chair. Technology continues to play a major role in the SPHA communication requirements. The SPHA website, newsletter, and email have rapidly become indispensable tools for sharing community news, committee updates, and important BOD minutes and information.

- The quarterly SPHA Newsletter is published regularly in April, July, September, and December.
 - Black & white copies are mailed to approximately 72 owners without email, or those owners wishing to receive a mailed copy in addition to an email version.
 - Email notification of color copies go out to about 500 addresses covering 465 members.
 - Use of email results in significant savings to the SPHA.

(NOTE: If you do not receive email notification of the newsletter and do have an email address, please contact the SPHA Community Manager and enroll for email.)

- The SPHA Website is updated on a regular basis.
 - Website has a new and improved look and format for 2008-09.
 - Access statistics for past 12 months exceeded 14,000 visitors, or 40 per day.
 - New home page "Hot Topics" contains content or links to all current information such as upcoming Community Activities, Board Minutes, Newsletter, Salt Pond Plaza Status, and Finances.
 - Visitors are encouraged to leave comments or suggestions on the Guestbook or email questions or comments directly to BOD members at info@sphamembers.org

(NOTE: If you are not a frequent visitor to our websites, the BOD encourages you to do so. The SPHA website is found at www.sphamembers.org and the Salt Pond Golf Course website is at www.SaltPondGolf.com.

Annual Report of the Salt Pond Plaza Committee
June 2009 Homeowners Association Meeting
Cheryl Wisbrock, Chair

The mission of the Salt Pond Plaza Committee is to minimize the impact of the arrival and development of the commercial neighbor located at the corner of Fred Hudson and Central Avenue, known as the Salt Pond Plaza (SPP). Working with the SPHA Board of Directors, state and county agencies, and the owner/developer of the Salt Pond Plaza, much has been accomplished to this end since the 2008 Annual Meeting. Following is a summary of the events and actions accomplished over the past year plus the current status of the project and relationship with the developer and tenants:

- Agreement was reached with the developer concerning stormwater management to ensure that water discharged from the SPP will not cause flooding or damage to the residents or golf course of Salt Pond property during even major storms. Implementation of this plan involved installation of numerous outfall devices, drains and underground culverts, as well as adjustments to the ponds and neighboring swales on the golf course. Reconstruction of the golf course is almost finished.
- Agreement was reached with the developer for the use and maintenance of Bethany Loop in the area surrounding the SPP. This agreement is an improvement over the easement given by the prior owner and will provide more equitable sharing of maintenance and repair costs. Additionally, that section of Bethany Loop will receive a paving top coat when the SPP project is completed.
- Agreement was reached for the developer to provide mitigating landscaping on both the commercial (SPP) side of Bethany Loop and on the residential and golf side of the road.
- The developer and anchor tenant, Harris Teeter, agreed to work with the committee on the lighting plan for the parking area and have adjusted the originally-specified fixtures to minimize light pollution. The committee has conducted tests of existing light levels and will compare them to the actual lighting once the fixtures are turned on.
- Work on the entrances is underway and is expected to be finished before the annual meeting. The committee has no control over this project, and DelDot has allowed it to proceed after the standard May 15 date by which road construction is typically not allowed. Additional DelDot-required work, including construction of a multi-use path along Fred Hudson Road, will be deferred until the fall.
- The developer received approval from the county to modify the original site plan to have three retail pads of approximately 5000 square feet each, rather than two larger ones. To date, no tenant has been contracted for the spaces. This change has no effect on the total number of parking spaces, discharge of stormwater, etc.
- Harris Teeter has advised that it expects to complete construction of its store in September 2009 and open in March 2010.

Community Center Complex

Contacts

The SPBOD has oversight responsibility for the overall operation of the Community Center Complex. The SPBOD Recreation Committee is responsible for the scheduling, control and operation of the Fitness Center and Mary Davis is responsible for scheduling all events in the Community Center. Dick Crawford is the SPBOD liaison for the complex and is responsible for the operation and maintenance of the Community Center Complex.

Facility Upgrades

During the past year the exterior and interior of the facility has undergone some significant upgrades which were performed by a combination of volunteers from the community who donated over 1200 hours of their time as well as selected contractors. The following sections specify the tasks which were completed during the past year within budget.

Exterior Facility

- Painting of the entire community center, the pro shop exterior and the snack bar
- Repair and painting of the exterior walls adjacent to the indoor and outdoor pools
- Replacement of defective concrete pads around the community center.

Community Center

- Addition of chair rails and wooden boxes on the walls throughout the entire facilities
- Painting of five walls and ceilings within the facility
- Addition of commercial grade refrigerator, freezer, food preparation tables, a stainless steel hand wash sink and hookup of the existing gas stove

Fitness Center

- Removal of the wall between the two exercise rooms
- Addition of chair rails, wooden boxes and valance lighting on the hall way walls
- Painting and repair of all exercise rooms, corridor walls, the locker rooms and the storage closet
- Replacement of locker room showers with pre formed shower stalls
- Relocation of light switches, addition of a night light and a door bell.

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- Relocation of light switches, addition of a night light and a door bell.

Upon election to the Board in 2006, Katherine Coulson created a Board Calendar. In a month by month format, the Calendar lists contract renewals and other tasks necessary for the efficient operation of the SPHA. Each month the Board reviews the Calendar for items to be put on the meeting Agenda or otherwise handled.

Recreation Committee

Ann Crawford

The recreation committee sponsored the first family pool party on July 19, 2008. Entertainment, games and food were supplied for all who happily attended. It was such a success, another one is planned for July 25, 2009.

Marty Godwin, tennis pro, set up tennis clinics for children and adults at Salt Pond in the summer of 2008. The clinics were available to Salt Pond owners, renters, and neighboring committees. He has requested that we host another clinic for children and adults this year, which is planned to begin June 16, 2009.

Additional wind screens for the tennis courts were purchased and installed this spring.

Salt Pond has a new pool management company, Best Aquatic Pool Management, who services the indoor and outdoor pools. Lap swimming will begin June 27 from 9:00 to 10:00 am for those 16 years and older.

Yellow guest passes, for Salt Pond owners and guests and blue tenant passes for those who rent and wish to use the recreational facilities may be purchased from the indoor fitness center attendant. The tenant passes were increased to \$80 this year.

Construction of the kayak and canoe storage racks was completed this spring. Fifty spaces were available for rental to Salt Pond owners. The committee will monitor the storage and launching areas.

The forms for new photo ID's for Salt Pond owners and dependents, who are 16 years and older, may be obtained from the indoor fitness center attendant. If they qualify, dependent ID's must be updated every two years.

A revised Salt Pond Rules and Regulations for the recreational facilities may be obtained in the fitness center.

Architectural Review: Donna Villani, Chair. New architectural standards were approved by the BOD and became effective January, 2009. These new standards can be found on the Salt Pond website www.sphmembers.org. Please take the time to review them, especially, if you plan on making any exterior changes. Also, a new fee schedule became effective November, 2008 (also on the same website).

Members of the committee will be canvassing the neighborhood and checking for minor non-compliances that will require updating by the homeowner.

LEGAL COMMITTEE REPORT – Jim Kennedy

- In cooperation with SPHA's outside lawyer, the Architectural Review Board and the SPHA Board of Directors, reviewed and revised the community Architectural Standards. The Revised standards were adopted by the SPHA Board in December 2008.
- In cooperation with SPHA's outside lawyer and the SPHA Board, prepared and adopted the first community "Violation Mitigation Process" consistent with the provisions of the SPHA By-Laws and the Declaration of Covenants, Conditions and Restrictions in December 2008.
- Prepared an amendment to the By-Laws of The Salt Pond Golf Course Operations Inc., to expand the Board of Directors of that corporation from three to five all appointed by the SPHA Board of Directors. The amendment was duly adopted by the SPHA Board of Directors, the sole shareholder of the corporation.
- In cooperation with SPHA's outside lawyer, drafted a proposed amendment to the SPHA Declaration of Covenants, Conditions and Restrictions to restrict the sale of some or all or the long term lease of the Golf Course land unless approved by a vote of two thirds of the SPHA homeowners.
- Directed the SPHA outside lawyer to proceed against homeowners who, after repeated attempts to collect unpaid annual and special golf course assessments, have failed to pay those assessments. Two liens have been obtained to date.

Ponds and Wetlands

- Successfully engaged Envirotech to perform our Comprehensive Ponds/Wetlands Management for 2009. This includes six (6) contracts for the common area ponds/wetlands. (\$48,400.00)
- Applied for and contracted with DNREC (Delaware Division of Natural Resources and Environmental Control), Fish and Wildlife Division, who will provide funding (\$4,000.00 over next 5 years) for herbicides to control invasive vegetation in two of the ponds/wetland areas under contract.
- Met with DNREC Division of Parks and Recreation and forged a new cooperative alliance to manage our Ponds/Wetlands areas within the Salt Pond properties.
- Amended and signed a final Conservation Easement agreement for Salt Pond
- Amended and signed a Memorandum of Agreement (after 5 years of negotiations) for Conservation Area management.
- In coordination with DNREC Water Resources Division, received approval to construct canoe/kayak racks to store these watercraft to prevent further degradation to the soil and vegetation in the "beach" area. New Conservation signage will be installed in the beach area within 2 weeks of this writing.
- After 5 years of delays, new Conservation Easement signs, to denote the "CE" boundaries around our Ponds/Wetlands have been constructed and are presently being erected by Simpler Surveying Corp.

As always, if there are any questions or concerns regarding any of the above, please contact:

Clayton C. Brown, Chairman - Ponds/Wetlands committee

Michael

Headman, Board Liason

Phone: 302-529-2802

Phone:

e-mail: ccbbsb@verizon.net

mail: headmanmw@earthlink.net

Golf Club Financials – 2008

It was our first year as owners of the Golf Club and the Club did well financially. This information is based on the unaudited financial statements. The audit is almost completed. It took longer than usual because of the determining how to record the Golf Club acquisition on the Salt Pond Homeowner's Association books and the time it took to get all financial information from Legum & Norman.

Revenues: Total revenues were \$756,160. Green / Cart fees were \$519,667 and Pro Shop merchandise revenues were \$61,153. The other revenues were from membership, tournament, and miscellaneous income.

Expenses and other income: Expenses before depreciation were \$720,028 for net ordinary income of \$36,132. When \$33,289 in other income is added, the total income before depreciation was \$69,421.

Depreciation: Depreciation was \$68,331 for net taxable income of \$1,090.

These numbers could change after the audit is completed.

Insurance - The following summarizes what transpired:

- Coverages were renewed in January for approximately 7% less than the expiring insurance coverage.
- Inspections were completed by Package and Workman's Compensation (WC) carriers and their recommendations were complied with. Expecting State of Del WC inspection to *confirm our safety credit*.
- Obtained flood quotes. The Board reviewed the quotes and the need for the insurance and decided not to obtain flood insurance this year.
- Tightened up the risk transfer program. Certificates of insurance are required from all *contractors*.
- Carrier paid two claims (mail room fall and stolen chipper).
- The Villages continue to have their own insurance.