

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.

Minutes of the Annual Meeting

November 8, 2014

John Rasmussen, president of the Association, called the meeting to order at 8:35 a.m. on the date above noted at the Grenelefe Conference Center, Haines City, Florida, the location specified in the notice of meeting.

Mr. Rasmusen then stated that if there were no objections, as president of the Association, he would chair the meeting and appoint Carol Post to act as the recording secretary. Murray Miller moved and Faye Sadler seconded a motion to accept the designations as proposed. Carol Post stated that the meeting had been properly noticed to the general membership. Glenn Norton moved and Murray Miller seconded a motion, which was passed unanimously, to waive the calling of the roll. Acting secretary Carol Post then certified the validity of the proxies and declared a quorum. Randy Kuhl moved and Earl Monari seconded a motion, which was passed unanimously, to dispense with the reading of last year's annual meeting minutes. Carl Bauer moved and Randy Kuhl seconded a motion, which was passed unanimously, to approve the minutes of the prior year's annual meeting as previously submitted. Mr. Rasmussen stated that there were four candidates for five open positions on the board, so an election wouldn't be necessary. He indicated that Carl Bauer, Tom Leiser, Glenn Norton, Bryon Smith and John Rasmussen would be appointed to two-year terms. Murray Miller moved and Glenn Norton seconded a motion to accept the candidates as presented.

The general manager then presented a slide show depicting some of the work done during the year throughout property.

Mr. Rasmussen then gave the president's report. He reported that there has been approximately \$21,000 in uninsured losses year to date. He indicated that the budget committee reviewed the budget presented by Mr. Gourdie and Ms. Post, with a goal of keeping the budget the same, keeping the reserves at the same level or higher and providing employees with a 2-percent raise across the board. He stated that the first seven-year building renovation cycle will be completed by the end of 2015 and during the second cycle, the buildings will cost less to maintain. He explained that, unless waived by the membership, the State requires reserves to be funded at 100%, which for the Association would be \$999,532, but the board is proposing a funding level of \$367,235.

Mr. Rasmussen reported that laundry revenue was \$74,751 for 2012, \$88,471 for 2013, and is on track to be over \$95,000 by the end of 2014. He stated that 18 units sold and that delinquent fees total approximately \$41,000, with seven accounts in attorney collection and two in bank foreclosure.

Murray Miller pointed out that the dues are going up less than the CPI and wished to thank the administration for keeping the property maintained for the same amount of money. Mr. Gourdie stated that there will be large expenditures from the parking lot reserve until 2018 or 2019, when

the paving project will be completed. He pointed out that a big cost in the future will be roofs, when all those completed after the 2004 hurricanes require replacement.

Mr. Gourdie then explained that the Association had recently obtained a wind mitigation inspection and found that, due to the way the buildings are designed, any possible insurance savings do not justify the cost of the inspections.

Treasurer Robert Krueger then gave a report on the Association's financial condition as of the year ending September 30, 2014, and thanked the Association auditor for doing a great job with the audit. Carol Vasquez moved and John Rasmussen seconded a motion, which was approved unanimously, to accept the treasurer's report as given. Mr. Rasmussen announced that, after approximately 20 years of service on the board, Mr. Krueger was retiring. Rich Leiter stated that he wished to thank Mr. Krueger for his years of service. The Association's auditor, Andrea Doane, then gave a report on the 2013 audit, which is made a part of the treasurer's report and attached to these minutes of the annual meeting.

Mr. Rasmussen then presented the reserve budget. He indicated that the board was proposing a funding level of \$367,235 for 2015. Robert Krueger moved and Earl Monari seconded a motion to waive 100-percent funding of the reserve requirements for the fiscal year 2015 in favor of a funding level of \$367,235 proposed by the Board of Directors. The motion passed, with 591 in favor and 4 opposed.

Randy Kuhl moved and Robert Krueger seconded a motion to postpone the Association's audit for year 2014 from May 1 to August 1, 2015. The motion passed, with 595 in favor and 0 opposed.

Randy Kuhl moved and Earl Monari seconded a motion to defer excess membership income to subsequent years in accordance with Internal Revenue Ruling 70-604. The motion passed, with 595 in favor and 0 opposed.

The next item on the agenda was discussion of roads. Monica Shores stated that when she asked the Association office about the roads back in March, she was told that the Association was working with Westgate on a plan to get the roads resurfaced. John Rasmussen explained that at the time, that was true, but the project was halted because Westgate believed it had a buyer. Ms. Shores stated that the Association must move forward, that the obstacles are not acceptable. Mr. Rasmussen explained that the Association doesn't own the roads and that any decision by the Association to specially assess for them would have to be approved by Westgate. Ms. Shores stated that the Association should just move ahead without Westgate. Glenn Norton explained that Westgate has 509 of the 913 votes, and a motion would not pass without its support.

Rich Leiter asked for a status on the property, and Carl Bauer stated that Westgate is still trying to sell the property and people are still looking. Mr. Bauer expressed sympathy for the owners, stating that his job of renting units is made more difficult by the poor condition of the roads. He said he would like to revive the issue again, but that it is not his decision.

A question was raised about the Association suing Westgate to try to force repair of the roads. Quentin Carson said that Craig Foster, an owner, had something to do with the abandoned buildings on the west side being torn down and asked if the same process could be followed with the roads. Murray Miller expressed concern that the case could be tied up in court for years and felt that it would be better to show the advantages of repairing the roads rather than threatening. Glenn Norton explained that the Association has received advice from our law firm that taking Westgate to court to try to force them to repair the roads would be very expensive and likely not have an advantageous outcome. Carol Vasquez added that David Siegel has done great things with his other properties and wondered if someone could sit down with him and figure out a way to make Grenelefe profitable.

Mike Lane asked the Association attorney, Drew Smith, if there was anything that the owners could do personally, other than as an Association. Mr. Smith explained that the Association has done everything it could do on the friendly side, such as sharing in the cost. Monica Shores stated that Westgate has a contract with the owners to maintain the roads, which Mr. Smith refuted. Mr. Smith explained that if the Association decided to sue, the judge could rule that Westgate had to maintain the roads to a "reasonable level," which would likely involve patching rather than resurfacing.

Monica Shores suggested putting a vote to the membership and letting the majority rule. Mr. Rasmussen explained that Westgate *is* the majority, and that even if the Association paid 100% of the cost, Westgate would still be paying half. Ms. Shores asked if the project could be funded by the private owners only, and Attorney Smith said no, that all the owners would have to share in the assessment.

Carl Bauer stated that he would bring the owners' concerns to Mark Waltrip and Brian Siegel, and that Mr. Rasmussen would know something within a few weeks. Glenn Norton asked if there can be another conference call between the Westgate representatives and a few board members. Carl Bauer said it would be the same deal as before, which Glenn Norton stated would include a new entrance for the golf course and delivery trucks, at Westgate's expense.

Under other owner comments, Charles McKendrick stated that the pool area is filthy. Several owners stated that although they currently have social memberships, they do not plan to renew. They complained that they see small children with diapers in the pool and that the gym is in disrepair, with ceiling tiles falling down, dust on everything, and some machines inoperable. Rich Leiter asked if there has been any talk of forming a pool membership that would be included with the maintenance fees at an increased cost. Chris Gourdie explained that when the property was operated as a resort, the owner units were needed for conferences, but now there is no reason for Westgate to offer amenities to owners. Rich Leiter asked if the Association could look again at making a pool available to owners. Mr. Gourdie said that the Association could look at the issue again. However, it didn't get the financial support needed to move ahead the first time.

Rich Leiter then stated that Chris Gourdie has done a fabulous job as general manager and asked what kind of a contract the Association has with him. Mr. Gourdie stated that it is year to year, and Mr. Leiter suggested making it a five-year contract.

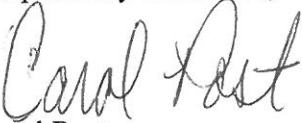
Murray Miller then stated that one of his water heaters recently blew, and proposed that the board consider an ordinance that if an owner is not present for a period of time, that their water be turned off, and if this is not done, they be held responsible for damages. Mr. Gourdie stated that when the Association's HVAC staff goes into units to perform A/C service, they also check for leaks. Attorney Smith stated that making an owner responsible for damages would require a change to the Declarations, since it would be shifting maintenance responsibilities. Monica Shores stated that if owners were put on notice, the Association would have better grounds to prove negligence. Carol Vasquez asked if the owners could be advised on the procedures for turning off water heaters, breakers, etc. It was decided that the issue of liability for damages would be put on the agenda for the February board meeting.

Ken Graf then asked if some of the laundry income could be used to keep the laundry rooms cleaner. He said he cleans the laundry room in his building once a week. Mr. Gourdie said that the suggestion has been made before, but currently the landscapers clean the laundry rooms on rainy days. Quentin Carson agreed that people often leave the laundry rooms in a mess. He also stated that parents waiting for the school bus park all over the grass, and that another solution needs to be found.

Monica Shores suggested that the Association put together a volunteer list. Mr. Gourdie indicated that this was initiated by board member Randy Kuhl, who often picks up trash around property, and the Association only had one response. Mr. Gourdie stated that many good ideas were brought up during this meeting, that his door is always open for owners to come in and discuss issues with him, and that he researches and takes what he has learned to the board.

At 10:36 a.m., Glenn Norton moved and Faye Sadler seconded a motion, which was passed unanimously, to adjourn the meeting.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Carol Post".

Carol Post
Secretary

TREASURER'S REPORT
For the Month Ending September 30, 2014

BOARD MEETING
NOVEMBER 6, 2014

The Association ended September with a loss of income to expenses of \$9,136 for the month and a surplus of income to expenses of \$58,382 for the year. Operating cash is \$657,140. Accounts receivable total \$533,189, \$477,846 of which is fourth quarter maintenance fees invoiced in September but not due until October. As of October 30, 2014, the amount owed on units currently in attorney collection is \$40,783. Accounts payable total \$52,027.

Reserves total \$754,249, which includes a Property Insurance Fund balance of \$140,934. Reserve funds are down \$40,821 since the beginning of the year, due to the paving project which was completed in May and the use of contractors to assist with building renovations while the Association was short-staffed. A significant amount of the shortfall will be made up by the end of the year.

Both payroll and health insurance on the building department are significantly underbudget for the year (\$28,529 and \$6,757 respectively), due to several open positions. Water and sewer is underbudget by \$3,632 for the month and \$20,062 for the year, due to less watering needed because of an excessive amount of rainfall. Uniforms, tools and equipment in buildings is underbudget by \$3,950 for the year. The underbudget amount in grounds payroll is offset by the overbudget amount in grounds temporary help. Irrigation is overbudget for the month but considerably underbudget for the year. Administrative payroll is underbudget for the month and year due to the assistant general manager decreasing hours. A new accounting person is currently being trained and those wages are expensed under temporary help. Landscape chemicals are underbudget for the month but on budget for the year.

The most significant overbudget areas for the year to date are electrical and plumbing contractors and insurance deductible expenses, overbudget by a total of \$27,155 due to several leaks and sewer backups that have occurred and some costly electrical repairs. Vehicle maintenance in buildings was overbudget by \$8,728 for the month, due to over \$8,000 in repairs needed on the Biljax lift. Another overbudget area was the painting contractor, who was used to complete painting on numerous repairs while the building department was short-handed. Other overbudget areas include grounds gasoline, landscaping, tools and equipment, grounds vehicle maintenance, trash removal and office equipment and supplies.

In September, the Association received the balance of its 2012 workers' comp insurance dividend and half of its 2013 dividend, totaling \$7,885.

Respectfully submitted,

Robert W. Krueger
Treasurer



**707 Rochester Loop
Davenport, FL 33897
doanecpafirm.com
MEMBER: FICPA**

October 10, 2014

To the Board of Directors and Management of
Grenelefe Association of Condominium Owners #1, Inc.

I have audited the financial statements of Grenelefe Association of Condominium Owners #1, Inc. for the year ended December 31, 2013, and have issued my report thereon dated August 31, 2013. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated February 2, 2014. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Grenelefe Association of Condominium Owners #1, Inc. are described in Note A to the financial statements. The Association is tracking reserves accounts payable and paying reserves expenditures from a separate checking account. No other new accounting policies were adopted and the application of existing policies was not changed during 2013. I noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. Significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

The BOD should be reminded annually of and follow guidelines of IRS requirements and percentages for an 1120-H tax filings, as management has elected to file form 1120-H for the 2012 tax year.

"At least 60% of the Association's gross income for the tax year must consist of exempt function income. At least 90% of the Association's expenses for the tax year must consist of expenses to acquire, build, manage, maintain, or care for its property. No private individual can profit from the association's net earnings except for acquiring, building, managing, or caring for association property, or by a rebate of excess membership dues, fees, or assessments." (IRS 1120-H instructions)

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. One of the most significant disclosure was for the detail reconciliation of "non exempt function" income. Management has presented such amounts for discussion purposes in the event that there may be revenue subject to tax if amounts result in net income.

Certain items requiring corrections and consideration came up during the audit. Although management considers them to be immaterial to the financial statements taken as a whole, I mention them for discussion purposes:

Certain bank transfers were recorded in the financial statements as of December 31, 2013 that did not actually occur until February, 2014. Namely, the opening of a Trustco Savings Account, which did not actually occur until February 4, 2014. Management has explained this discrepancy as inadvertent.

Expenditures for the "replacement" reserve funds should be approved and noted in the minutes of the Board of Directors meetings, including the amount approved and the vendor selected. Fla. Statute 720.303

"Reserve funds and any interest accruing thereon shall remain in the reserve account or accounts and shall be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote at a meeting at which a quorum is present."

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representation

I have requested certain representations from management that are included in the management representation letter dated August 31, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to my retention.

I'd like to thank Carol and Brenda for their time and assistance during my audit.

This information is intended solely for the use of Board of Directors and Grenelefe Association of Condominium Owners #1, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Andrea R. Doane, CPA

Doane CPA Firm LLC