

Stone Creek III Homeowners Association
Annual Meeting
April 26, 2011

Agenda

1. Call to order – 7:00 p.m.
 - A. Proof of notice of meeting
 - B. Verification of quorum for Meeting
 - C. Introduction of Board of Directors & Management
2. Approval of Minutes – April 13, 2010 Annual Meeting
3. Guest Speaker- Shelly Putnum- Flower Mound Community Relations
4. Reports & Amendment
 - A. Overview of Activities – Pam Jenkins, President
 - B. Financial Report – Treasurer/Manager
 1. December 31, 2010 Financial Statements
 2. 2011 Approved Budget
 3. Tax Resolution
 - C. Committee Reports
 1. Architectural Control Committee – Shari Tipa
5. Election of Directors (two 2-year positions, one 1-year position)
 - A. Introduction of Candidates
 - B. Nominations from the floor
 - C. Close Nominations
 - D. Appointment of members to count votes
 - E. Casting of Ballots
6. General Discussion – Questions & Answers
7. Adjournment

Stone Creek III Homeowners Association
Annual Meeting
April 13, 2010
Minutes

Item I – Call to Order & Verification of Quorum

The Meeting was called to order at 7:40 p.m.

A quorum was established with over 10% of the membership represented in person or by proxy to conduct the general business of the meeting.

Item II – Introductions

Members of the Board of Directors were introduced as well as Gary Josephson and Debbie Landess of Cornerstone Association Management Services.

Item III – Approval of Minutes

The minutes of the May 28, 2009 Annual Meeting were reviewed as presented. After review, Ms. Pittman made a motion to approve the minutes as written. Mr. Freeman seconded and the motion carried.

Item IV – Reports

Overview

Vice President Pam Jenkins reviewed the past year's activities. She noted that the accomplishments during the year included collection of assessments at 100% for 2009, budget savings in water consumption, storm/tree damaged addressed. It was noted that the Board was reviewing all possible avenues to address deteriorating brick walls, from remedial repairs to complete panel reconstruction which would cost approximately \$40,000. The Board would also consider other masonry systems as alternatives to brick walls.

Financial Summary & Tax Resolution

Community Manager Gary Josephson reviewed the December 31, 2009 Financial Statements and 2010 Budget addressing questions from the floor. The members present reviewed a tax resolution that authorizes the tax preparer for the Association to choose between tax return filing options that reduce the Association's tax liability. After consideration, Mr. Pittman made a motion to approve the tax resolution as presented. Mr. Mr. Freeman seconded and the motion carried.

Architectural Control

Committee Chairman and Director Shari Tipa provided an update on the activities of the Committee and reminded homeowners of the need to submit exterior modifications for Committee review prior to commencing construction.

Item V – Election of Directors

Nominations were opened for the three open directorships, each for two-year terms of office with Pam Jenkins, John Pittman and Shari Tipa submitting their nominations. With no further nominations, Ms. Pittman made a motion to close nominations and elect the three nominees by acclamation. Ms. Platon seconded and the motion carried.

Item VI - Adjournment

There being no further business to discuss, the meeting was adjourned at 8:45 p.m.

Stone Creek III Homeowners Association

Activities Report

April 26, 2011

Administrative/Financial Operations

- Annual assessment statements were mailed for 2010 with assessments collected at a rate of 99%
- Financial Statements are prepared and provided to the Board on a quarterly basis
- Welcome letters are being sent to each new Homeowner
- The annual tax return was coordinated with an independent CPA
- Insurance coverage for Property & Liability, Directors & Officers Coverage was renewed
- The 2011 Annual budget was developed for Board review and approval
- Total Cash & Savings at year end was \$55,634.12 (not including prepaid assessments)
- The HOA finished the year slightly over budget by \$133.27 mainly due to water consumption

Landscape, Irrigation & Maintenance Activities

Landscape & Irrigation- 2010/2011 Notes

- The landscape maintenance company changed July 2010 to American Landscape Systems
- Irrigation repairs are made on a routine basis with monthly irrigation inspections performed
- Several rotors and heads were replaced and a main line leak was repaired
- Irrigation adjustments and relocation of spray heads were made
- Ground cover beds were created under trees along Splash Pine Drive and Forest Vista

Brick Wall Repairs

- The Board is reviewing brick wall repairs costs that range from remedial to complete panel reconstruction. They are also considering long-range replacement options that could use pre-cast concrete or other masonry type walls that best fit the community needs.

Electrical/Lighting

The electrical lighting work at the Halsey Drive entrance was completed for a total cost of \$2,055.00

Architectural Control/Deed Restriction Enforcement

Management sent (286) violation notices this past year as needed regarding issues such as mowing/landscaping/dead trees, unapproved architectural modifications/structures, boats/trailer and trashcan storage. A summary of the violation notices for 2010/2011 is enclosed. There were (14) architectural modification submissions that were processed by the Architectural Control Committee for 2010 and (5) so far in 2011 as follows:

Fencing Replacement - 4
Roofing Replacement - 1
Painting - 2
Sheds -3
Misc. Structures/Items -2
Home Additions - 2
Play sets -1
Pool -2
Pergola -2

Stone Creek III Homeowners Association, Inc.

As of 12/31/10

Balance Sheet

ASSETS

Cash		
ANBTX Operating	\$	30,340.71
Reserve Account- Chase Bank		45,058.47
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Total Cash	\$	75,399.18
Accounts Receivable		
Accounts Receivable	\$	315.00
Collection Fees Receivable		15.00
Attorney Fees Receivable		436.76
Interest Receivable		21.92
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Total Accounts Receivable	\$	788.68
TOTAL ASSETS	\$	76,187.86
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LIABILITIES AND EQUITY

Current Liabilities		
Accounts Payable	\$	(444.33)
Prepaid Assessments		20,194.39
Collection Fees Payable		15.00
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TOTAL LIABILITIES	\$	19,765.06
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MEMBER EQUITY

Reserves	\$	74,272.15
Owners Equity		(17,716.08)
Current Year Income (Loss)		(133.27)
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TOTAL EQUITY	\$	56,422.80
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TOTAL LIABILITIES AND EQUITY	\$	76,187.86
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Stone Creek III Homeowners Association 2011 Annual Membership Meeting Tax Resolution

Background & Purpose

The Stone Creek III Community is established as a non-profit Homeowners Association. Although considered non-profit, an association still pays tax based on the amount of dividends received from its investments and possibly its membership income. The Internal Revenue Service has under Internal Revenue Code 277 & 528, two forms to report taxable income. These are tax forms 1120 (standard corporation) and the 1120-H (homeowners association form). Each form allows the Association special considerations when filing their tax return including the taxable rate. The 1120 form generally establishes a 15% tax rate while the 1120-H has a 30% tax rate, however each form has its own deductions, which the Association may take advantage.

In order to allow a CPA (who prepares the return) the advantage of the lower tax for the Association, the members at each annual membership meeting, must approve a tax resolution, which authorizes the Board of Directors to “rollover” any excess funds from the prior years operating fund, into following years fiscal operating budget or fund the replacement reserve. By approving this “rollover”, the Association would not pay income tax on any excess membership income and could then file the 1120 Form, paying tax at the 15% rate only on their interest income. If a resolution is not approved, the Association could still file the 1120-H form and excess operating income would not be taxable, but all other interest and dividends would then be subject to a 30% tax rate. In some cases the difference is nominal, but passing the resolution provides a possible tax advantage.

Resolution

Motion

To approve a rollover of any excess operating funds for the 2010 fiscal year towards the 2011 operating budget or reserve fund.

Who can make a motion?

Any member can make the motion from the floor

Requirement to pass

The motion must be seconded and approved by a voice vote. The Board may then execute a written resolution verifying the affirmative vote of the members.

Stone Creek III Homeowners Association, Inc.

Period: 10/01/10 to 12/31/10

Description		Actual	Current Period Budget	Variance	Actual	Year-To-Date Budget	Variance	Yearly Budget
Income Statement								
REVENUES								
06100	Homeowner Assessments	.00	.00	.00	51,975.00	51,975.00	.00	51,975.00
06425	Applied Interest	3.71	30.00	(26.29)	72.57	120.00	(47.43)	120.00
06500	Interest Income	1.05	30.00	(28.95)	3.71	120.00	(116.29)	120.00
TOTAL REVENUES		4.76	60.00	(55.24)	52,051.28	52,215.00	(163.72)	52,215.00
EXPENSES								
Administration								
07100	Audit & Accounting	.00	.00	.00	200.00	1,250.00	1,050.00	1,250.00
07150	Legal Fees	.00	75.00	75.00	75.00	300.00	225.00	300.00
07300	Management Fee	1,800.00	1,800.00	.00	7,200.00	7,200.00	.00	7,200.00
07400	Newsletter	.00	75.00	75.00	.00	300.00	300.00	300.00
07460	Copies	87.92	110.00	22.08	260.92	380.00	119.08	380.00
07500	Printing	50.44	80.00	29.56	247.18	160.00	(87.18)	160.00
07475	Postage	148.57	150.00	1.43	458.48	600.00	141.52	600.00
07450	Supplies	150.00	60.00	(90.00)	234.44	250.00	15.56	250.00
07350	Meeting Expense	.00	.00	.00	.00	75.00	75.00	75.00
07525	Social Events	.00	.00	.00	.00	500.00	500.00	500.00
Total Administration		2,236.93	2,350.00	113.07	8,676.02	11,015.00	2,338.98	11,015.00
Taxes & Insurance								
08850	Income Taxes	.00	.00	.00	.00	63.00	63.00	63.00
09150	Property & Liability	.00	.00	.00	1,288.00	1,300.00	12.00	1,300.00
09100	Directors and Officers	.00	.00	.00	1,418.00	1,430.00	12.00	1,430.00
Total Taxes & Insurance		.00	.00	.00	2,706.00	2,793.00	87.00	2,793.00
Landscaping								
07600	Landscape Contract	3,338.97	2,748.00	(590.97)	12,174.72	10,992.00	(1,182.72)	10,992.00
07650	Irrigation Repairs	.00	250.00	250.00	2,258.96	2,700.00	441.04	2,700.00
07625	Flower Planting	.00	800.00	800.00	290.11	1,600.00	1,309.89	1,600.00
Total Landscaping		3,338.97	3,798.00	459.03	14,723.79	15,292.00	568.21	15,292.00
Common Area Repairs								
07675	Lighting/Misc. Repairs	2,055.00	200.00	(1,855.00)	2,055.00	600.00	(1,455.00)	600.00
07700	Brick/Wrought Iron Fence	.00	.00	.00	.00	1,400.00	1,400.00	1,400.00
07575	Landscape Improvements	.00	.00	.00	.00	750.00	750.00	750.00
Total Common Area Repairs		2,055.00	200.00	(1,855.00)	2,055.00	2,750.00	695.00	2,750.00

Stone Creek III Homeowners Association, Inc.

Period: 10/01/10 to 12/31/10

Description		Actual	Current Period Budget	Variance	Actual	Year-To-Date Budget	Variance	Yearly Budget
Utilities								
08500	Electric	143.56	180.00	36.44	598.15	720.00	121.85	720.00
08550	Water	5,331.60	900.00	(4,431.60)	10,780.59	7,000.00	(3,780.59)	7,000.00
Total Utilities		5,475.16	1,080.00	(4,395.16)	11,378.74	7,720.00	(3,658.74)	7,720.00
Reserve Funding								
09900	Reserve Fund Transfer	3,162.00	3,162.00	.00	12,645.00	12,645.00	.00	12,645.00
Total Expenses		16,268.06	10,590.00	(5,678.06)	52,184.55	52,215.00	30.45	52,215.00
CURRENT YEAR INCOME/LOSS		(16,263.30)	(10,530.00)	(5,733.30)	(133.27)	.00	(133.27)	.00

BOARD OF DIRECTORS APPROVED BUDGET
 ASSESSMENT LEVEL - \$346.00 PER YEAR
 REPRESENTS A 9.84% INCREASE IN ASSESSMENT

STONE CREEK III HOMEOWNERS ASSOCIATION
 2011 OPERATING BUDGET

REVENUES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Homeowner Assessments	57,090	0	0	0	0	0	0	0	0	0	0	0	57,090
Less: Bad Debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Late Fee Income	10	10	10	10	10	10	10	10	10	10	10	10	120
Interest Income	5	5	5	5	5	5	5	5	5	5	5	5	60
TOTAL REVENUES	57,105	15	15	15	15	57,270							
EXPENSES													
ADMINISTRATION													
Audit & Tax Return	0	300	0	0	0	0	0	0	0	0	0	0	300
Legal Fees	0	0	125	0	125	0	0	0	0	0	0	0	250
Management Fee	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Newsletter	25	25	25	25	25	25	25	25	25	25	25	25	300
Copies	10	10	70	70	10	10	10	10	10	10	70	10	300
Printing	0	0	60	0	70	0	0	0	0	70	0	0	200
Postage	20	40	80	70	40	20	20	40	30	20	50	20	450
Supplies	0	0	60	0	0	20	0	60	0	0	0	60	200
Meeting Expense	0	0	0	75	0	0	0	0	0	0	0	0	75
SUB-TOTAL													9,275
TAXES & INSURANCE													
Income Taxes	0	0	39	0	0	0	0	0	0	0	0	0	39
Property & Liability	0	0	0	0	0	0	0	0	1,300	0	0	0	1,300
Directors & Officers	0	0	0	0	0	0	0	0	1,425	0	0	0	1,425
SUB-TOTAL													2,764
COMMUNITY RELATIONS													
Social Events	0	0	0	80	0	0	0	0	0	0	0	100	180
SUB-TOTAL													180
LANDSCAPING													
Landscape Contract	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	13,356
Irrigation Repairs	100	200	200	200	200	200	200	200	400	400	200	200	2,700
Flower Planting/LS Improvements	0	0	0	400	0	0	0	0	0	0	400	0	800
SUB-TOTAL													16,856
COMMON AREA REPAIRS													
Lighting/Misc. Repairs	0	0	0	150	0	0	0	150	0	0	0	200	500
Brick Wall Repairs	0	0	200	0	0	0	200	0	200	0	0	0	600
SUB-TOTAL													1,100
UTILITIES													
Electric	55	55	55	55	55	55	55	55	55	55	55	55	660
Water	100	150	150	150	250	500	1,500	1,800	2,200	1,500	250	200	8,750
SUB-TOTAL													9,410
RESERVE FUNDING													
Reserve Fund Transfer	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,474	1,474	17,685
TOTAL EXPENSES	3,497	3,967	4,251	4,462	3,962	4,017	5,197	5,527	8,832	5,267	4,237	4,057	57,270
NET INCOME/LOSS	53,608	49,656	45,421	40,974	37,027	33,025	27,844	22,332	13,515	8,263	4,042	(0)	(0)

2011 RESERVE FUNDING SCHEDULE

<u>Reserve Component</u>	<u>Component Notes</u>	<u>Measurements</u>	<u>Component Cost</u>	<u>Estimated Useful Life</u>	<u>Remaining Life</u>	<u>12/31/10 Funds</u>	<u>Annual Funding</u>	<u>Monthly Funding</u>
Brick Screening Walls/Columns	Perimeter Walls	3,500 lin feet/220 Columns	300,000	30	22	35,800.00	12,009.09	1,000.76
Wrought Iron Fencing	Perimeter Fencing	420 Linear Feet	9,201	20	8	7,400.00	225.13	18.76
Wrought Iron Fence Painting	Perimeter Fencing	420 Linear Feet	2,000	8	0	2,000.00	0.00	0.00
Signage	Entry Areas	N/A	1,500	15	4	911.42	147.15	12.26
			\$312,701			\$46,111.42	\$12,381.36	\$1,031.78
2010 Funding (100%)								

Stone Creek Violation Log for 2010

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	TOTALS
A/C in window													0
Basketball goal at street/sidewalk			1										1
Basketball goal down in side yard													0
Boat									1	1			2
Camper Storage		1											1
Commercial Vehicle													0
Dead Shrubs													0
Dead Tree		1							1				2
Debris Storage			7	4	7	2	6	4	4	4	3		41
Edging						2	16	9	5	3	1	1	37
Fence posts/gate broken	1												1
Fence sections loose/leaning													0
Fence slats missing/broken				1	2			1	1				5
Grass Clippings													2
Holiday Lights/Clips			1										1
Improper Window Covering													0
Inoperable Vehicle													0
Jet Ski Storage													0
Mowing				29	4	5	8	1	3	1	1		52
Oil in Driveway									1	1			2
Oil in Street													0
Painting Needed													0
RV Parking/Storage													0
Trailer								1					1
Trash can in view		4	21	8	13	12	3	4	4	14	1		84
Unapproved Modification	1								1	2		1	5
Unapproved Signs on Property			3	1	1	2	1		1				9
Vehicle Parking													0
Weed eat								3	1				4
Weeds in Landscape beds						3	10	2					15
Weeds in lawn				3	5	2	9	2	1	1			23
TOTALS	2	6	33	46	32	28	53	27	24	27	6	2	286

