



SEAPINES

C O M M U N I T Y

CSA



2016 ANNUAL REPORTS

Communi



Community Services Associates, Inc.



CSA 2016 Board Members

Mark Griffith*
Chairman

| | |
|------------------|------------------|
| David Borghesi * | Mark King |
| Paul Crunkleton | Don Sigmon* |
| Barry Barth | Bob Sowers |
| Charles Miner | Bob Gossett |
| JR Richardson | Carolyn Adams* |
| Beverly Serral | Steve Birdwell |
| Rich Speer | Cary Corbitt |
| Michael Tucker * | Scott Richardson |

* Executive Committee Member

CSA Annual Meeting Minutes

May 9, 2016

1. Call to Order

CSA Board Chairman, Mark Griffith, called the 2015 Annual Meeting of Community Services Associates, Inc., to order at 3:26 p.m., at the Sea Pines Country Club.

2. Verification of a Quorum

CSA Secretary, Carolyn Adams, confirmed that a quorum was present through attendance and by proxy.

3. Approval of the May 8, 2015 Annual Meeting Minutes

A motion was made to accept the minutes of the May 8, 2015, meeting as submitted in the annual report. The motion received a second and was unanimously passed.

4. Announcement of CSA Nominating Committee for Board Elections

a. Nominating Committees - Chairman Griffith named the following Chairmen and members of the 2016 Nominating Committees to select candidates for the Class A Residential and Class B Commercial open positions for the CSA Board.

I. Residential - Class A:

Dave Borghesi - Chairman
Barry Barth
Beverly Serral
Rich Speer

II. Commercial – Class B:

Bob Gossett - Chairman
Don Sigmon
Bob Sowers

Those CSA Board members completing their three-year term at the end of 2016 were: Mark Griffith, Charlie Miner and Michael Tucker. He encouraged persons interested in serving on the Board to submit their resume in care of the Nominating Committee to the CSA Administration office. Interviews would be held in August and September of 2016, the Meet the Candidates meeting would be held in October and election ballots mailed out on November 1, 2016.

b. Nomination of Candidates by Petition – Chairman Griffith also noted that, in addition to those nominated by the Nominating Committee, persons may be nominated by petition. The following requirements of the petition process were described.

- I. Petition to be signed by 50 valid residential or 3 commercial owners,
- II. The candidate has to be willing and able to serve,
- III. CSA By-laws require the petition to reach the Nominating Committee by October 1st.

5. Board of Directors Report

a. Recognition of Outgoing Directors – Each of the directors who had completed their term in 2015 were recognized for their service during their tenure: Joe Kernan, John Trunck and Mark Yarbrough.

b. Introduction of Board Members – The newly elected Class A or residential board members for 2016 were: Dave Borghesi, Paul Crunkleton and Barry Barth. The newly elected Class B or commercial representatives are Bob Gossett and Bob Sowers.

A list of all the board members for 2016 and the parties they represent were noted:

Residential
Barry Barth
Dave Borghesi
Paul Crunkleton
Mark Griffith
Charlie Miner
JR Richardson
Beverly Serral
Rich Speer
Michael Tucker

Commercial
Bob Gossett
Mark King
Don Sigmon
Bob Sowers

The Sea Pines Resort
Carolyn Adams
Steve Birdwell
Cary Corbitt
Scott Richardson

c. Introduction of CSA Standing Committees – The purpose of committees is to make recommendations to the board on how to address the Board's goals and to meet the needs of the community. Mr. Griffith noted the Executive Committee consists of the CSA Board officers and one at-large member: Mark Griffith, Chairman; Michael Tucker, Vice Chairman; Treasurer, Dave Borghesi; Secretary, Carolyn Adams and Don Sigmon serves as the at-large representative.

The other following committees and their chairman for 2016 were announced:

Communications.....Michael Tucker/Barry Barth
Executive CommitteeMark Griffith
Finance CommitteeDave Borghesi
Gate Entry CommitteeCary Corbitt
Governance Committee.....Rich Speer
Joint CSA/ASPPPO Short Term Rental Committee.....Beverly Serral/ Bill Johnson
Maintenance, Enhancements and Major ProjectsJR Richardson
Nominating CommitteeDave Borghesi
Safety and Security Committee Michael Tucker
The Task Forces and Sub-committees formed for 2016 and their Chairmen are:
ARB Liaison JR Richardson
Communications/Trolley Marketing.....Bob Gossett
Communications/Commercial..... Mark King
Forest Preserve Advisory.....Ted Allenbach
Governance/Board Orientation..... Rich Speer
Governance/Covenant Modifications..... Rich Speer
Governance/Board Leadership Rich Speer
Governance/Employee Compensation & Benefits Review Rich Speer
Governance/CSA IT Department Review..... Rich Speer
Governance/Nomination Process Rich Speer
Government Liaison..... Scott Richardson
Greenwood Gate Reconfiguration Michael Tucker
Legal Affairs Task ForceMark Griffith
Joint Traffic Task Force Paul Crunkleton
Public Art.....Dave Borghesi
Six Oaks AdvisoryDave Borghesi

d. Board Actions Overview – Mr. Griffith reviewed the list of goals the CSA Board had approved in 2015 and gave an update of the progress made and the current status of those not completed.

Goals completed:

- Complete and accept the Strategic Long Range Plan for CSA
- Analyze and develop a strategy to return Six Oaks Cemetery to a sound financial position.
- Engage professional assistance to develop a resident data management system and survey program.
- Survey our residents to determine their desire for improvements and prioritize major investments incorporated in the Long Range Strategic Plan.

Goals still working on from 2015:

- Complete CSA's reserve study to determine if we have funds available for needed improvements and if there are any excess funds for new projects.
- Evaluate our gate functionality and develop a plan to improve gate access.
- Improve condition and maintenance of our waterways and lagoons.

- Raise the bar on the level of care for our entry corridors and open space.
- Work with the Town to improve the Sea Pines Circle and the corridor reaching to Sea Pines' main gate.

New Goals Created in 2016:

- Establish a Communications Policy and Committee to improve communications with property owners.
- Evaluate all current CSA assessment levels for residential, commercial and The Sea Pines Resort property owners and investigate various ways to increase revenues. Mr. Griffith elaborated that residential assessments only increased by \$2 per residence from 2015 to 2016 (permissible by covenants) and with an expense budget of over \$10M it is hardly in keeping with rising costs. A Revenue Task Force has been created to evaluate cost effective practices for CSA's current procedures and ways to generate new revenues. He hopes to have the Task Force's report or recommendations reviewed by the Finance Committee and CSA Board by month end.
- CSA is also composing a five-year plan to reflect expenses and revenue to reflect what funds are available and where they are being spent to give property owners an idea of why extra revenue is needed.
- Work with The Sea Pines Resort to help them with improvement plans to achieve their five-star rating.

Mr. Griffith closed by saying these are very exciting and positive times for the Sea Pines community and thanking the property owners for giving him and the CSA Board the opportunity to serve them.

6. CSA President Report

CSA President, Bret Martin, began by introducing the newly hired and existing staff members: Beau Barnett, Director of Maintenance; Toby McSwain, Director of Security; Victoria Shanahan, Director of Finance and Administration; David Henderson, Director of Special Projects; Amanda Sutcliffe-Jones, Director of Communications; Jeanne Pearse, Executive Administrative Assistant; Cindy Gray, Director of Human Resources and Dave Risk, Land Use Monitor.

Last year, the CSA Board adopted the Long Range Strategic Plan resulting in four key initiatives with the following primary objectives:

Strategic Objective One – Financial Sustainability

- Complete a comprehensive reserve study (an engineering firm had been retained and their report is under review and being adjusted)
- Develop and adopt a Reserve Policy
- Present a business plan and budget for 2017
- Update financial policies
- Develop a five-year business plan that includes a prioritization of major projects and revenue sources to fund them
- Create a Long-Range Plan for storm water

Strategic Objective Two – Community Website Partnership and Communications Outreach

- Development and adoption of a comprehensive Communications Policy
- Website planning, development and implementation of a new SeaPinesLiving.com website
- Develop survey, focus groups and other communication systems to better support community decisions (a property owner survey was completed in 2015 and its categories and response rates were reviewed)

Strategic Objective Three – Quality of Sea Pines' Lifestyle

- Continue to develop a comprehensive plan for improvements based on the survey initiative results such as improvements at the Greenwood Gate Improvements (highest priority); Landscape and Maintenance Improvements coming in second and respectively the Forest Preserve Improvements and Community Center Improvements

Strategic Objective Four – Trusted Governance

- Develop a plan to be approved for a Leadership Academy to

educate volunteers interested in leadership positions and obtain their feedback.

- Develop a plan to create a comprehensive library of all Sea Pines' governing documentation

Mr. Martin turned the meeting over to CSA's Treasurer, Mr. Borghesi.

7. Financial Overview

Mr. Borghesi, CSA Treasurer, began his overview by thanking members of the Finance Committee for their service to the community. Mr. Neil Funnel and Jeff Herriman, who both, in 2015, had completed their committee term limits were recognized for their many years of service. Mr. Borghesi introduced the committee's two newest members: Maryann Bastnagel and John Farrenkopf.

Mr. Borghesi said the audited Financial Statements for 2015 and 2014 had been completed and is reported as being a "clean" report by the outside auditing firm of Elliott Davis Decosimo. Copies were available at the meeting and upon request.

Mr. Borghesi had summarized the essence of audited statements and included this summary in the Annual Report for 2015. He recommended property owners review the financial section that began on Page Eight. This section contains comparative financial statements and an analysis of year over year comparisons. It also includes commentary on the 2015 budget and actual, plus projected cash flows were added this year.

Actual numbers were not discussed, but Mr. Borghesi made a few brief comments on the following:

- CSA's net assets, less its current liabilities remain to be around \$9M over the last three years which is very good for a homeowner's association. It reflects that CSA's liquidity and flexibility is well positioned in both attributes. However, managing future expenses with the current revenue generated remains a challenge for years going forward.
- CSA's investments with Morgan Stanley are broken into two accounts: Operating Account and Designated Account. The Designated account of \$8.2 M at Fair Market Value consists of four types of investments: cash, certificates of deposit, municipal bonds and fixed income securities. He explained the difference of Fair Market Value vs. Par Value and noted that CSA incurs a premium to purchase fixed income securities on the open market where the coupon interest rate is greater than current fair market interest rates. Such value in excess of par will decrease over time as the investment reaches maturity. Most important however, is the fact that CSA is investing in a laddering effect of an eight-year period with around \$1M maturing every year.

Mr. Borghesi turned the podium over to Victoria Shanahan, CSA Director of Finance and Administration, to cover more up-to-date financial information for 2016.

Ms. Shanahan covered CSA's Balance Sheet for the first quarter of 2016. She noted the one thing missing from this year is debt. CSA has zero debt, but can borrow from a line of credit if the need arises. She also noted the amount in the Fund Balance has remained steady and most importantly, that an Emergency Fund had been added in 2016. The final point she made was that operating expenditures are lower than predicted due to CSA being understaffed and some of the major projects planned for the first quarter having been delayed, but was a timing issue and should even out by yearend.

8. Closing Statement

Mr. Griffith returned to the podium and thanked CSA Staff and Board members for their reports. He noted that a question and answer session would be held after adjournment and thanked everyone for coming.

9. Adjournment

Mr. Griffith asked for a motion to adjourn the meeting which was received, seconded and unanimously passed. The annual meeting was adjourned at 4:00 p.m.

Respectfully submitted,
Carolyn Adams
Secretary

2016 CSA Committees

The purpose of committees is to make recommendations to the Board on how to address Board's goals and to meet the needs of the community. We'd like to take a moment to thank all the members of each of our standing committees. For a complete list of accomplishments made for 2016 from each committee and an update on their progress please visit www.seapinesliving.com/2016annualreport

Maintenance Enhancements & Major Projects Committee

Will advise the CSA Board to exercise its oversight responsibilities regarding maintenance and major repairs and replacement, enhancements and capital projects for CSA consistent with CSA policies, goals, objectives and guidelines.

2016 Committee Members Chairman - JR Richardson

| | |
|------------------|----------------|
| Susan Allhusen | Mike Lawrence |
| James Bradshaw | Cliff McMackin |
| Randall Chambers | John Parsons |
| John Griffin | Truitt Rabun |
| Kim Hall | |

Gate Entry Committee

Will advise the CSA Board to exercise its oversight responsibility concerning Sea Pines Gate Entry Policy and associated budgeting for Gate Entry revenue and expenditures. The committee will gather, evaluate and present data to support recommendations to the Board consistent with CSA policies, goals, objectives and guidelines for ensuring Sea Pines is a premier private residential community.

2016 Committee Members Chairman - Cary Corbitt

| | |
|----------------|----------------|
| Bill Johnson | Steve Birdwell |
| Bob Mang | Bob Gossett |
| Charlie Miner | Mark King |
| Michael Tucker | Don Sigmon |

Safety and Security Committee

Will advise the CSA Board to exercise its oversight responsibilities regarding safety and security concerns for: operations and planning; gathering and evaluation of data to support safety and security decisions in consistency with CSA policies, goals, objectives and guidelines.

2016 Committee Members Chairman - Michael Tucker

| | |
|--------------|------------------|
| Steve Alfred | Angie Greenfield |
| Sue Ehmke | Jim Lee |
| Mark Faraci | Rob Marsac |
| Bob Gossett | Doug Wolter |



Finance Committee

Will advise the CSA Board to exercise its oversight responsibilities regarding CSA finances, accounting, tax reporting, budgeting, financial risk management and financial reporting consistent with CSA policies, goals, objectives and guidelines.

2016 Committee Members Chairman - David Borghesi

| | |
|-------------------|----------------|
| Maryann Bastnagel | Rob Marsac |
| Carolyn Adams | Rich Speer |
| John Farrenkopf | Michael Tucker |
| Lisa Laudermilch | Ray Warco |
| Lee McCollum | |

Joint ASPPPO and CSA Short Term Rental Committee

Will advise the CSA Board and ASPPPO Board in exercising their responsibilities to enforce the Covenants and other rules and regulations governing the short term rental of residential property within Sea Pines Plantation.

2016 Committee Members Co-chair - Bill Johnson Co-chair - Beverly Serral

| | |
|------------------|-------------------|
| Karl Becker | John Munro |
| Linda Farrenkopf | Becky Pardue |
| Bob Hawkins | Daniel Westerbeck |
| Ted Leavitt | |

Governance Committee

Will advise the CSA Board with respect to CSA By-Laws; CSA Director nomination and election process; new Board member orientation; work with Sea Pines Resort on future covenant modifications; and development of Leadership Program to support CSA initiatives and provide/ develop an ongoing source of CSA Committee and Board members.

2016 Committee Members Chairman - Rich Speer

| | |
|----------------|----------------|
| David Borghesi | Michael Tucker |
| Mark Griffith | Steve Birdwell |
| Bob Mang | Mark King |
| Charlie Miner | |

Communications Committee

The committee will identify ways to improve communications and create greater community awareness of CSA operations and achievements. This committee will serve as a conduit between the various committee chairs and the community at large; helping communicate the goals, actions and accomplishments of all Sea Pines committees.

2016 Committee Members Co-chair - Michael Tucker Co-chair - Barry Barth

| | |
|----------------|------------------|
| David Borghesi | James Richardson |
| Cary Corbitt | Beverly Serral |
| Frank Jeffreys | Richard Speer |
| Charlie Miner | Kathy Wilcox |
| Mary Reagan | |



Financial Summary for Community Services Associates, Inc.

Financial Impact of Hurricane Matthew (\$ in '000's)

As a result of Hurricane Matthew on October 7, 2016, CSA incurred substantial expenditures for storm clean up, repairs and restoration, which totaled \$2,280 through year-end. Pursuant to the hurricane, the CSA Board of Directors approved a special assessment at its meeting on November 22, 2016, in the amount of \$6,270. This amount was billed with the regular 2017 operating assessment in December of 2016, and \$1,245 was collected by December 31, 2016. In accordance with U.S. Generally Accepted Accounting Principles, CSA has recognized both the cost incurred through year-end as an expense, and as revenue, having no net impact on net income for the year. Because the collection of special assessment receipts is \$1,034 less than expenditures and revenues, the balance sheet reflects a receivable of that amount. Given the amount of expenditures to date, and the amount of the special assessment, approximately \$4 million is available for future related expenditures.

In order to finance the expenditures in excess of special assessment receipts, CSA drew down one of its line of credit in the amount of \$1,500 as of December 31, 2016. Using further special assessment receipts and proceeds from investments that matured just prior to year-end, the line of credit was paid off in January 2017.

2016 Revenues (\$ in '000's)

Excluding special assessment revenues, CSA revenues of \$10,599 decreased by \$2 compared to 2015. Minor increases in property owner assessments resulting primarily from a negligible increase in CPI were offset by a decline in gate revenue associated with the effects of Hurricane Matthew. CSA's insurance claim is pending final resolution and any recovery, which is not expected to be material in relation to the financial position of CSA, is not reflected in these financial statements.

2016 Expenses (\$ in '000's)

Excluding Hurricane Matthew related expenditures, operating expenses of \$11,052 increased by \$732 (or 7.1%) due to across the board increases in administrative payroll and legal fees, depreciation and major projects, including Fraser Circle, hydrology study and Ocean Gate fence. In July of 2016, CSA outsourced its roadside maintenance. In addition to receiving enhanced services, CSA realized cost savings of approximately \$240.

Other Income (net of expenses) was relatively flat with 2015. Realized investment income increased \$56 to \$378 as a result of gains on investment transactions. Investments are stated at their fair market value, and 2016 unrealized changes in fair market values are reported as Other Comprehensive Loss in the amount of \$72, as required under U.S. Generally Accepted Accounting Principles.

2016 Year-End Financial Position (\$ in '000's)

The 2016 year-end cash and cash equivalent balances of \$2,919 decreased by \$1,210 over the prior year end. Because cash balances can vary significantly for reasons other than operating results, a better view of CSA's financial strength and flexibility is its current assets, net of its current liabilities, which was \$9,439 at December 31, 2016, an increase of \$411.

Capital expenditures amounted to \$448 during 2016. Fixed asset balances decreased from the prior year by \$264, which resulted from the aforementioned capital expenditures, net of depreciation expense of \$653 and book value of disposed equipment of \$59.

Total fund balances increased by the \$147, or the amount of Comprehensive Income. In November of 2014, the Board approved the establishment of an Emergency Reserve Policy that established a range of funds designated for such short term emergency needs in a range of 25% to 30% of budgeted operating expenses, as defined. That fund balance remained unchanged at \$2,500. In relation to the Board's adoption of a daily gate pass fee increase of \$1 during 2014 (and beyond) 20% of the increase is designated for future costs related to dredge permitting and water quality testing, and 20% for trolley operations. The combined amounts of these two designated funds, net of costs incurred, is \$235, an increase of \$22. The Capital Replacement Fund balance remained unchanged at \$6,265.

Other Information

CSA maintained the available bank line of credit of \$5 million in 2015 and 2016. CSA also maintains a credit line with a financial institution that is the custodian for CSA's investment securities. That credit line is secured by the fair market value of securities that maintain a specific credit rating. No amount of the bank line of credit was used during or at the end of the year. The credit line secured by investments was used in 2016 and repaid in January 2017.

Because Sea Pines allows public access to the community, CSA received approval, effective August 3, 2015, from the Internal Revenue Service to be recognized as a tax-exempt organization under IRS Code Section 501(c)(4), a quasi-governmental entity that is tax exempt for all or much of its income, if any. CSA filed Form 990 for the year ended December 31, 2015 and will do so for 2016. Therefore, no provision for income tax expense has been recorded for the years ended December 31, 2016 and 2015.

CSA received an updated capital reserve study in June 2016 for assets held as of year-end 2015. The current estimated replacement cost of components of common property that have limited and predictable useful lives is approximately \$26 million, exclusive of underground storm water infrastructure. CSA will continually update this information to determine future contribution requirements and the long term adequacy of the Capital Replacement Fund.

Sea Pines - Community Services Associates, Inc.

Balance Sheets

December 31, 2016 and 2015

(Dollars in '000's)

| | 2016 | 2015 |
|---|------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,919 | \$ 4,129 |
| Investments at fair value | 8,785 | 9,246 |
| Special Assessment Receivable | 1,034 | - |
| Accounts Receivable, net of Reserve for Bad Debts of \$52 and \$79, respectively. | 105 | 42 |
| Due from Related Parties | 408 | 171 |
| Prepaid Expenses | 14 | 23 |
| Total Current Assets | 13,265 | 13,611 |
| Property and Equipment | | |
| Property and equipment, (net of accumulated depreciation of \$4,326 and \$4,247, respectively) | 6,937 | 7,201 |
| TOTAL ASSETS | \$ 20,202 | \$ 20,812 |
| LIABILITIES AND FUND BALANCES | | |
| Current Liabilities | | |
| Accounts Payable | \$ 495 | \$ 1,065 |
| Accrued Payroll and Related Benefits | 408 | 323 |
| Deferred revenue | 1,423 | 3,195 |
| Line of Credit | 1,500 | - |
| TOTAL CURRENT LIABILITIES | 3,826 | 4,583 |
| Fund Balances | | |
| Undesignated | 7,376 | 7,251 |
| Designated | 9,000 | 8,978 |
| Total Fund Balances | 16,376 | 16,229 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 20,202 | \$ 20,812 |

Sea Pines - Community Services Associates, Inc.

Statements of Revenues and Expenses

For the Years Ended December 31, 2016 and 2015

(Dollars in '000's)

| | 2016 | 2015 |
|--|----------|----------|
| OPERATING REVENUES | | |
| Residential Assessments | \$ 5,971 | \$ 5,951 |
| Other Property Owner Assessments | | |
| Grande Ocean Resort access fees | 296 | 296 |
| Sea Pines Resort, LLC assessments | 224 | 207 |
| Other business owner assessments and fees | 204 | 207 |
| Total Commercial Assessments and fees | 724 | 710 |
| Gate Entry and Permit Fees | 3,904 | 3,940 |
| Special Assessments | 2,280 | - |
| Total Operating Revenue | 12,879 | 10,601 |
| OPERATING EXPENDITURES | | |
| Maintenance Department, net | 2,872 | 2,891 |
| Safety, Security and Trolley Operations, net | 2,975 | 2,977 |
| General Administration | 2,691 | 2,255 |
| Major Repairs and Replacements | 1,588 | 1,415 |
| Facilities | 271 | 257 |
| Depreciation | 654 | 524 |
| Hurricane Matthew | 2,280 | - |
| Total Operating Expenditures | 13,331 | 10,319 |
| Operating Income (Loss) | (452) | 282 |
| OTHER INCOME | | |
| Investment Income, net | 378 | 322 |
| Other Income | 293 | 281 |
| Other Comprehensive Income (Loss) | (72) | (109) |
| Total Other Income | 599 | 494 |
| COMPREHENSIVE INCOME | \$ 147 | \$ 776 |

Sea Pines - Community Services Associates, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

(Dollars in '000's)

| | 2016 | 2015 |
|---|----------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Comprehensive Income | \$ 147 | \$ 776 |
| Other Comprehensive (Income) Loss | 72 | 109 |
| Excess of Revenues over Expenditures | 219 | 885 |
| Adjustments to reconcile excess revenues over expenditures to net cash provided by operating activities: | | |
| Depreciation | 654 | 524 |
| Loss (Gain) on disposal of equipment | (49) | (51) |
| Realized (gain) loss on investments | (37) | 6 |
| (Increase) decrease in current assets: | | |
| Special assessment receivables | (1,034) | - |
| Other receivables | (251) | (64) |
| Prepaid expenses | 9 | 17 |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | (570) | 571 |
| Accrued expenses | 85 | 32 |
| Deferred revenue | (1,772) | 306 |
| Net Cash Provided (used) by Operating Activities | (2,746) | 2,226 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (1,333) | (7,148) |
| Proceeds from redemption of investments | 1,758 | 6,108 |
| Proceeds from disposal of equipment | 59 | 85 |
| Acquisition of property and equipment | (448) | (1,439) |
| Net Cash (Used) by Investing Activities | 36 | (2,394) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from line of credit | 1500 | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,210) | (168) |
| Cash and Cash Equivalents, beginning of year | 4,129 | 4,297 |
| Cash and Equivalents, end of year | \$ 2,919 | \$ 4,129 |

Budget Comparisons

2016 Budget compared to 2016 actual results

Actual revenues of \$10,599 (not including the recognized portion of the special assessment) compared unfavorably to budget by \$22 due to a decline in gate pass revenue associated with the effects of Hurricane Matthew. Actual operating expenses (not including the expenditures associated with Hurricane Matthew) were under budget by \$482, principally due to position vacancies in both maintenance and security as well as the outsourcing of the road and other maintenance activities. Further, several major projects were deferred to 2017 as a result of Hurricane Matthew. Other income was favorable to budget due to lower other comprehensive loss, gain on disposals of fixed assets associated with maintenance outsourcing, and unbudgeted storm water project reimbursements.

2017 Budget compared to 2016 actual results

The 2017 budget was approved by the Board in November 2016 for normal operations, excluding revenue and expenditures related to Hurricane Matthew remediation. Budgeted revenues of \$10,713 reflects an increase of \$114. The increase is derived from the 1.0% increase in residential property owner fees (\$61) and minor changes in the other revenue categories. Operating

expenses are budgeted to increase \$619 (6%) over 2016 actual operating expenditures. The increases are principally in the maintenance department (\$184) and major repair and replacement projects (\$716). Excluding depreciation and major repair and replacement projects, budgeted expenses of \$8,778 are comprised of payroll related costs of \$5,388 and other operating expenses of \$3,390. Due to midyear 2016 outsourcing, 2016 payroll and operating expenses are not comparable to 2017 budget amounts.

Major repair and replacement projects are budgeted at \$2,304. Major components of budgeted projects include road resurfacing (\$774), Deer Island bridge replacement (\$684), and leisure trail enhancements (\$242).

In addition to major repairs and replacements, \$739 has been budgeted for capital expenditures, principally for vehicle replacements (\$112), backhoe (\$125), front end loader (\$300), other maintenance equipment (\$100), and safety and security equipment (\$67).

Investment income was budgeted to decline as investments are used to fund projected operating cash outflows, and due to lower market yields on reinvestment of proceeds from maturing fixed income securities.

| | Budget 2016 | Actual 2016 | Budget 2017 |
|--|-----------------|----------------|-----------------|
| (Dollars in '000's) | | | |
| OPERATING REVENUES | | | |
| Residential Assessments | \$ 5,969 | \$ 5,971 | \$ 6,032 |
| Commercial Property Assessments and Fees | 728 | 724 | 750 |
| Gate Entry and Permit Fees | 3,924 | 3,904 | 3,931 |
| Special Assessments | - | 2,280 | - |
| Total Operating Revenue | <u>10,621</u> | <u>12,879</u> | <u>10,713</u> |
| OPERATING EXPENDITURES | | | |
| Maintenance Department, net | 3,320 | 2,872 | 3,056 |
| Safety, Security and Trolley Operations, net | 3,137 | 2,975 | 2,846 |
| General Administration | 2,395 | 2,691 | 2,494 |
| Hurricane Matthew | - | 2,280 | - |
| Facilities | 329 | 271 | 382 |
| Depreciation | 681 | 654 | 588 |
| Major Repairs and Replacements | <u>1,671</u> | <u>1,588</u> | <u>2,304</u> |
| Total Operating Expenditures | <u>11,533</u> | <u>13,331</u> | <u>11,670</u> |
| Excess of Revenues over Expenditures from Operations | (912) | (452) | (957) |
| OTHER INCOME | | | |
| Investment Income, net | 378 | 378 | 342 |
| Other Income | 149 | 293 | 155 |
| Other Comprehensive Income (Loss) | <u>(192)</u> | <u>(72)</u> | <u>(113)</u> |
| Total Other Income | <u>335</u> | <u>599</u> | <u>384</u> |
| COMPREHENSIVE INCOME | <u>\$ (577)</u> | <u>\$ 147</u> | <u>\$ (573)</u> |



Join us for the ASPPPO and CSA Annual Meetings on Monday May 8th, 2017 at the Sea Pines Country Club from 3-5 pm. A social will follow the meetings at 4 pm.

Cash Flow

The Board, with the assistance of the Finance Committee, monitors its current assets (principally cash and investments) periodically throughout the year. Cash and investments are projected to the end of the year as each month's actual

results of operations and capital expenditures are reported. The ability to make reasonable forecasts allows the Board to determine if available cash flow from operations can be invested in additional unbudgeted but desired capital assets or major projects. A simple calculation can be used to approximate operating cash flow, as follows:

| | 2017 Budget | 2016 Actual |
|---|-----------------|---------------|
| Income (loss), excluding comprehensive income | \$ (573) | \$ 147 |
| Plus Depreciation Expense | 588 | 654 |
| Less Capital Expenditures | (739) | (448) |
| Other Comprehensive Loss | 113 | 72 |
| Equals Operating Cash Flow | <u>\$ (611)</u> | <u>\$ 425</u> |

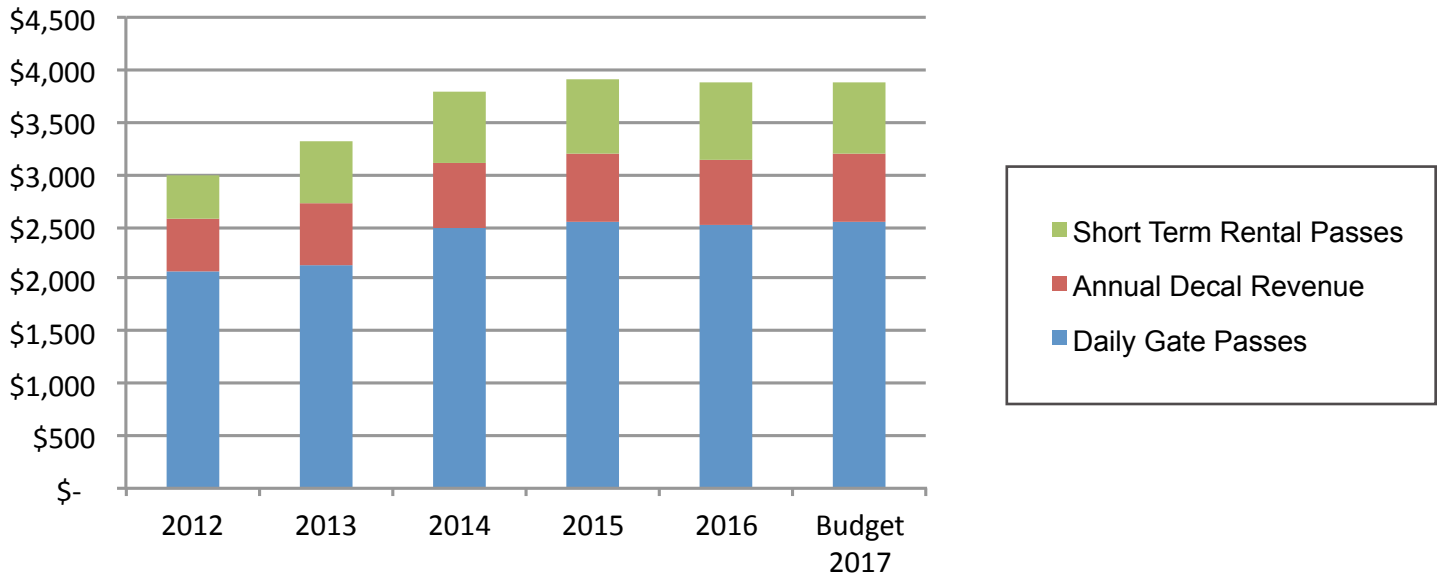
The 2017 budget anticipates the use of investment assets to fund the deficit cash flow.

A copy of CSA's audited 2016 financial statements may be obtained by calling: (843) 671-1343 or by email: Santonia@csaseapines.com, or mailing: 175 Greenwood Drive, Hilton Head Island, SC 29928-4506

Additional Information

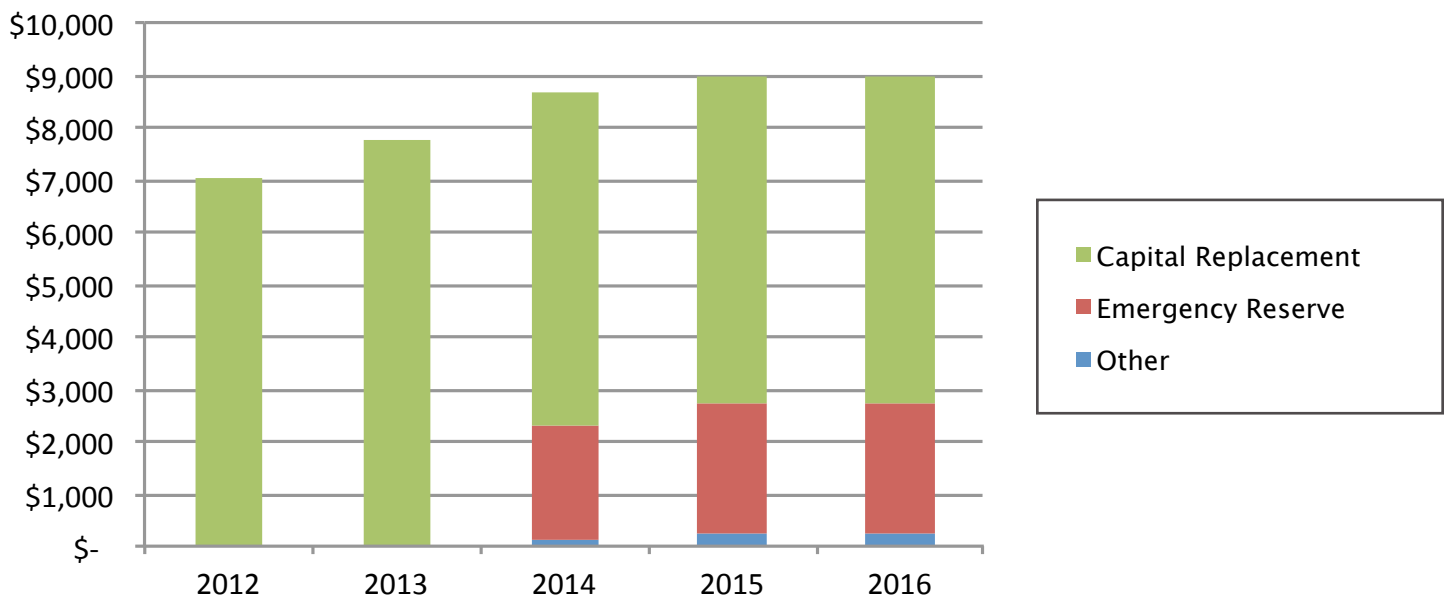
Gate Entry Permits

| | 2012 | 2013 | 2014 | 2015 | 2016 | Budget 2017 |
|--------------------------|----------|----------|----------|----------|----------|-------------|
| Daily Gate Passes | \$ 2,060 | \$ 2,123 | \$ 2,481 | \$ 2,554 | \$ 2,521 | \$2552 |
| Annual Decal Revenue | 511 | 591 | 629 | 636 | 620 | 635 |
| Short Term Rental Passes | 407 | 601 | 665 | 719 | 733 | 705 |



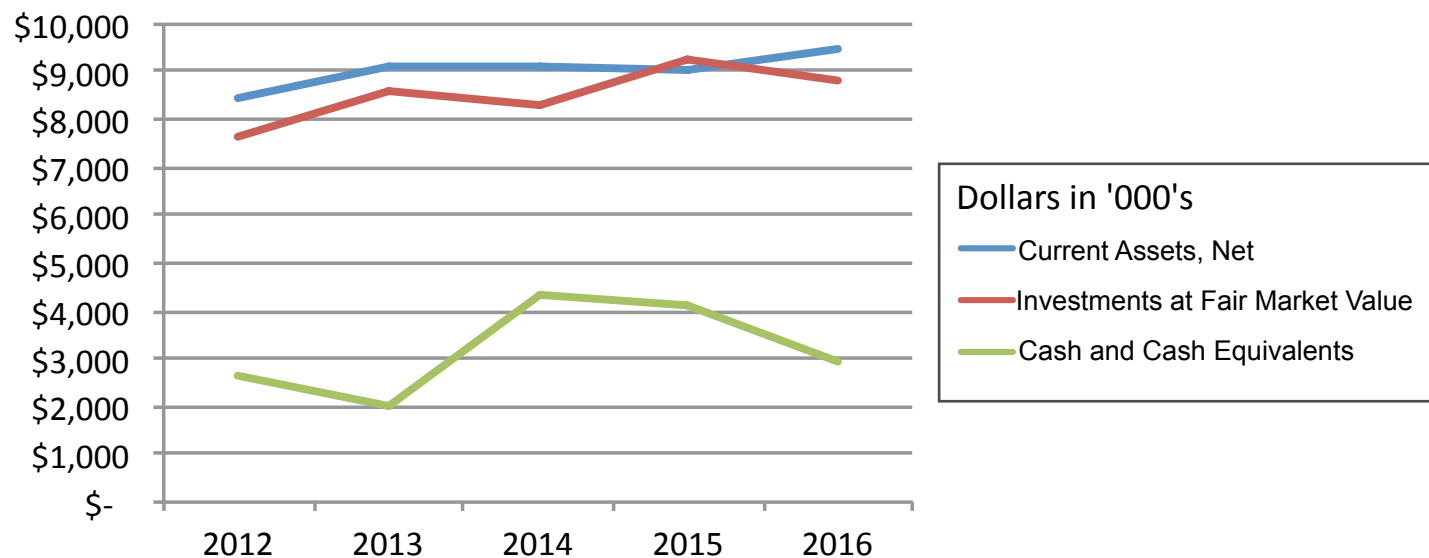
Year End Designated Fund Balances

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------|-------|-------|--------|--------|--------|
| Other | \$ - | \$ - | \$ 107 | \$ 213 | \$ 235 |
| Emergency Reserve | - | - | 2,200 | 2,500 | 2,500 |
| Infrastructure Replacement | 7,010 | 7,784 | 6,368 | 6,265 | 6,265 |



Additional Information

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|----------|----------|----------|----------|---------|
| Current Assets, Net | \$ 8,427 | \$ 9,128 | \$ 9,133 | \$ 9,028 | \$9,439 |
| Investments at Fair Market Value | 7,618 | 8,616 | 8,322 | 9,246 | 8,785 |
| Cash and Cash Equivalents | 2,658 | 2,008 | 2,008 | 4,129 | 2,919 |



Six Oaks Cemetery



Six Oaks Cemetery Trustees 2016

Chairman - Mark Griffith
 Vice Chairman - Michael Tucker
 David Borghesi - Treasurer
 Carolyn Adams - Secretary
 Don Sigmon - Appointed Member

Six Oaks Cemetery Advisory Committee 2016

Chairman – David Borghesi
 Dr. Michael Fritz Dr. Harry Maxon
 Betsy Kunkle Kathy Wilcox
 Phil LoPresti Patty Zensinger

Six Oaks Cemetery, Inc. is a 501(c)(3) not for profit corporation, created to operate and manage the Six Oaks Cemetery. Its board consists of five members, four who are the current officers of the CSA Board, plus one

member who is appointed. The cemetery is located off of Greenwood Drive, located across the street from the CSA building. Six Oaks is Hilton Head's only full service, public, perpetual care cemetery.

Six Oaks Cemetery, Inc.

| Financial Summary | 2016 | 2015 |
|--|--------------------|-------------------|
| Checking/Savings | \$ 237,635 | \$ 228,696 |
| Account Receivable | 35,377 | 32,613 |
| Prepaid Insurance | - | 33,000 |
| Plots Inventory | 52,742 | 42,700 |
| Columbariums | 23,306 | 6,525 |
| Cemetery Fence and Shed | 6,990 | 3,507 |
| Accumulated Depreciation | (932) | (3,189) |
| Total Assets | \$ 355,118 | \$ 343,852 |
| Total Liabilities | 174,533 | 108,477 |
| Net Assets | 180,585 | 235,375 |
| Total Liabilities and Net Assets | \$ 355,118 | \$ 343,852 |
| Support and Revenues | \$ 444,839 | \$ 468,186 |
| Expenses (\$108,273 related to Hurricane Matthew in 2016) | 499,629 | 412,051 |
| Change in Net Assets | \$ (54,790) | \$ 56,135 |

Sea Pines Forest Preserve Foundation



Sea Pines Forest Preserve Foundation Trustees 2016

Chairman - Mark Griffith

Vice Chairman - Michael Tucker

David Borghesi - Treasurer

Carolyn Adams - Secretary

Don Sigmon - Appointed Member

Sea Pines Forest Preserve Advisory Committee 2016

Chairman - Ted Allenbach

Lauri Allenbach

Ward Kirby

Rob Bender

Charlie Miner

Elizabeth Blackburn

Scott Richardson

Rosemary Kimball

James Smith

The Sea Pines Forest Preserve Foundation is a 501(c)(3) non-profit organization that was established in 1993, with the major responsibility of ownership, maintenance and enhancement of the Wildlife Habitat Zone. Its board consists of four members who are the current officers of the CSA Board, plus one appointed member. The board established the Sea Pines Forest Preserve Advisory Committee to assist them in protecting and maintaining the ecosystem while

encouraging outdoor recreation through careful development of Forest Preserve infrastructure. The Foundation is funded by an annual property owners' solicitation mailing, the sale of Forest Preserve calendars, T-shirts, hats, "The Bonfire", the "Party in the Pines" and yard sale fund raising events. For additional information and to review the accomplishments list please visit www.SeaPinesLiving.com/2016AnnualReport

Sea Pines Forest Preserve Foundation, Inc.

| Financial Summary | 2016 | 2015 |
|---|-------------|------------|
| Total Assets | \$ 583,596 | \$ 563,924 |
| Total Liabilities | 124,187 | 11,935 |
| Net Assets | 459,409 | 551,989 |
| Total Liabilities and Net Assets | \$ 583,596 | \$ 563,924 |
| Support and Revenues | \$ 168,069 | \$ 184,606 |
| Expenses (\$109,734 related to Hurricane Matthew in 2016) | 260,649 | 131,989 |
| Change in Net Assets | \$ (92,580) | \$ 52,617 |

Association of Sea Pines



Plantation Property Owners, Inc.



ASPPPO 2016 Board Members

Charles Miner
ASPPPO President

| | |
|----------------|-------------------|
| Barry Barth | Michael Tucker |
| David Borghesi | JR Richardson |
| Mark Griffith | Rich Speer |
| Beverly Serral | Daniel Westerbeck |

ASPPPO Annual Meeting Minutes

May 9, 2016

1. Call to Order

The Annual Meeting of the Association of Sea Pines Plantation Property Owners, Inc., was called to order at 3:00 p.m. in the Sea Pines Country Club located on Governors Road. Vice President Michael Tucker presided in ASPPPO President Charlie Miner's absence and he welcomed everyone to the meeting. The Sea Pines Country Club and their staff were thanked for hosting today's meeting.

2. Establish a Quorum

ASPPPO Secretary, Dan Westerbeck, confirmed that those present in person or by proxy constituted a quorum for the transaction of business.

3. Approval of the May 8, 2015 Meeting Minutes

A motion was made to accept the minutes of the May 8, 2015, Annual Meeting as submitted in the annual report. The motion received a second and was unanimously passed.

4. Announcement of Nominating Committee Membership

As required by the ASPPPO By-laws, the ASPPPO Nominating Committee for 2016 was announced. Chairman will be Barry Barth and ASPPPO Board members Rich Speer and Dan Westerbeck will also serve.

5. Recognition of Outgoing ASPPPO Board Members

Vice President Tucker acknowledged the Board members who had completed their three-year terms on December 31, 2015. Mike Jordan was thanked for his service and sharing his expertise on legal issues and Joe Kernan who had served the community and kept the line of communication open with the Town of Hilton Head by also serving on the Traffic Task Force and the Town's Circle to Circle Committee. The audience applauded them for their efforts on behalf of the residential property owners.

6. Introduction of ASPPPO Board Members

The ASPPPO Board members were announced, those in attendance were asked to stand:

The newly elected Board Members in 2016 are:

Barry Barth | Beverly Serral | Dave Borghesi (2nd Term)

Second year: James Richardson, Jr. | Rich Speer | Dan Westerbeck

Third year: Mark Griffith | Charles Miner | Michael Tucker

7. ASPPPO Board Report

Vice President Tucker said that unlike CSA, ASPPPO is a voluntary organization working to represent only the residential members of the community. President Miner and Vice President Tucker have responded to residential owners' concerns to insure all voices are heard. However, not everyone's position can be adopted.

Members Miner and Tucker have been working to improve communications with residential owners. They have attended the POA Presidents' meetings held by Dan Westerbeck (as have Mark Griffith and Brett Martin).

Mr. Tucker is also working on identifying any areas that are not represented by a POA. His findings will be used to encourage these areas to form a POA so they can be represented as a group for their opinions and input for their neighborhoods.

ASPPPO is continuing to work jointly with CSA to solve traffic issues, but there are no easy answers which is why these issues continue to be ongoing. The Greenwood gate is impacted by the Town's actions (revised land management ordinance, the USCB campus).

A set of guidelines to set standards for the Land Use Monitor to follow in regards to the maintenance of residential properties has been developed, but Sea Pines Covenants do not allow for fines to enforce the covenants. A referendum will need to be held and voted on by the residential members to permit the change.

ASPPPO also supports CSA's Long Range Strategic Plan for ongoing maintenance and new enhancements.

ASPPPO has also been in discussions with The Sea Pines Resort on its future improvement plans to ensure that residential property owner

interests are upheld. These discussions have been ongoing for over a year now and include the following topics: Hotel Expansion Plan, golf tee times, The Sea Pines Resort's annual assessment and the transfer of certain Forest Preserve property. These topics are complex covenant related questions important to residential property owners and it is ASPPPO's desire to find an equitable solution since we all share a common interest in the future of Sea Pines.

ASPPPO President, Charlie Miner has written a general letter that summarizes these discussions which has been posted on the ASPPPO Website. Mr. Tucker encouraged those who had not seen the letter to read it on the website or to pick up a copy that was available today at the check-in tables.

ASPPPO is an organization that solely represents the residential property owners and he encouraged eligible owners to join, provide their input, participation and communication as we work together to make Sea Pines the place to be now and in the future.

Mr. Tucker noted the ASPPPO and CSA Board elections would be held in November of 2016. ASPPPO maintains an open election policy so any ASPPPO member in good standing can become a candidate and run for the ASPPPO Board.

8. ASPPPO Financial Overview

ASPPPO Treasurer Rich Speer provided an overview of ASPPPO's past and current financial status. Total Revenue for 2015 was at \$133,265 in comparison to \$136,153 the prior year. He attributed part of this due to a decline in memberships each year.

Major expenses were: Service Fee to CSA, for staff support and overhead expenses; Land Use Monitor, to bring unkempt properties into compliance; legal fees, which increased from \$4,000 to \$106,000 mainly attributed to covenant related issues during the discussions with The Resort. He noted a review of the covenants is a massive task due to the number of Sea Pines covenants.

This is the main purpose of having funds in reserve for just these types of occasions that arise to insure ASPPPO has the funds to protect the rights of the residential property owners. Other larger expenses are for printing, postage and the annual meeting. Expenses were up \$206,000 from \$111,000 mainly due to legal expenses. Bond premium expenses for investments were approximately \$6,000 with a loss of \$3,700. The overall loss for the year 2015 was \$83,000 vs. the previous year's assets of approximately \$22,000. The Balance Sheet revealed Total Liabilities and Total Assets for 2015 were approximately \$531,000, down from 2014's amount of approximately \$581,000.

The budget for 2016 is like the prior year and includes a prediction in a decline in membership. It is hoped to improve this decline through marketing efforts. Income for 2016 is estimated at around \$116,000 with expenditures of approximately \$211,000 leaving a deficit of approximately \$86,000. The cost of communications' expenses continues to rise as efforts are made to improve in this area and legal expenses are estimated to decline as covenant discussions are concluded.

The results of the first quarter of 2016 are a little better than predicted. However, membership is down around \$8,000, but may improve in the second quarter. Actual expenses are around \$35,000 in comparison to the \$78,000 budgeted. This was attributed to lower legal expenses than expected and some timing issues.

The current Balance Sheet reflects Total Liabilities and Assets of \$490,000 vs. \$531,000 in comparison to 2015 at this same time.

Over the last couple of years ASPPPO's membership continues to decline. ASPPPO currently has 3,845 members, however there are 1,242 eligible members that have not joined ASPPPO. Mr. Speer stressed the importance ASPPPO protecting the rights of the residential property owners and encouraged those that had not joined, to do so.

9. Adjournment

The annual meeting was adjourned at 3:25 p.m.

Respectfully submitted,

Daniel Westerbeck
Secretary

ASPPPO Operations

ARB Liaison

One of the responsibilities of the ASPPPO Board is to appoint two property owners to serve as full-members of the Sea Pines Architectural Review Board (ARB). Also, the Alternate ARB member is jointly appointed by both the ASPPPO and CSA Boards. The ASPPPO President appointed ASPPPO Board member, JR Richardson, to act as the ARB Liaison to attend the Sea Pines Architectural Review Board's (ARB) weekly meetings, every week during 2016. Mr. Richardson provided updates on current ARB issues during the ASPPPO Board meetings and helped to maintain an open line of communication between the two.

Land Use Monitor

The purpose of the Land Use Monitor is to follow up on any complaints regarding unkempt yards and properties that are in violation of the Sea Pines covenants. The Land Use Monitor program was started in 2012. Mr. Risk managed to stay under budget, resolve numerous complaints instead of beginning litigation which resulted in lower legal fees for ASPPPO.

2016 ASPPPO Financial Statements

Financial Summary for the Association of Sea Pines Plantation Property Owners, Inc. (in \$'000's)

ASPPPO's net assets decreased by \$12 or 3% during 2016 due to \$127 of revenue less \$134 of program services less \$5 unrealized investment holding loss.

Membership dues for 2016 represented 71.9% of eligible Sea Pines Plantation property owners. Membership is voluntary and dues were based on \$30 for an owner of a family dwelling unit or \$15 for an owner of a residential lot. Owners with more than one property in Sea Pines pay dues based on one of the properties.

Total revenue from investments during 2016 was \$3 less than the prior year due to investments maturing and cash being held to fund potential increased support services.

Total expenses for program services during 2016 were \$70 less than the prior year primarily due to higher legal and professional fees in the prior year.

ASPPPO's 2017 budget plan includes an \$82 (or 20%) decrease in net assets due to \$133 of revenue less \$215 of program and support services. Program services include covenant enforcement actions, legal and professional fees, anticipated referendum costs and communication related expenditures.

ASPPPO Budgeted Activities and Changes In Net Assets

2017 Budgeted Revenue

| | (in '000's) | |
|------------------------|-------------|-------|
| Membership dues | \$ 123 | 92.5% |
| License plate income | 3 | 2.3% |
| Investment income, net | 7 | 5.3% |
| Total Budgeted Revenue | 133 | 100% |

2017 Budgeted Expenditures

| | | |
|---------------------------------|---------|--------|
| Program services and support | 215 | 161.7% |
| Total Budgeted Expenditures | 215 | 161.7% |
| Budgeted Decrease in Net Assets | \$ (82) | -61.7% |

Statements of Financial Position

Years Ended December 31, 2016 and 2015

(Dollars in '000's)

| | 2016 | 2015 |
|---|---------------|---------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 178 | \$ 118 |
| Investments | 307 | 398 |
| Prepaid Expenses | 9 | 16 |
| TOTAL ASSETS | \$ 494 | \$ 532 |
| LIABILITIES AND NET ASSETS | | |
| Advances by CSA | \$ 90 | \$ 35 |
| Membership dues received in advance | 3 | 84 |
| Total Liabilities | 93 | 119 |
| NET ASSETS | | |
| Undesignated | 413 | 430 |
| Accumulated other comprehensive income (loss) | (12) | (17) |
| Total Fund Balances | 401 | 413 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 494 | \$ 532 |

Statements of Activities and Changes in Net Assets

Years Ended December 31, 2016 and 2015

(Dollars in '000's)

| | 2016 | 2015 |
|--|---------------|---------------|
| REVENUE AND SUPPORT | | |
| Membership dues | \$ 113 | \$ 115 |
| License plate income | 1 | 1 |
| Newsletter advertising fees | 1 | 3 |
| Investment income | 12 | 15 |
| Total Revenue and Support | 127 | 134 |
| EXPENDITURES | | |
| Program Services | | |
| Postage and printing | 29 | 33 |
| Land use monitor | 22 | 21 |
| Insurance | 15 | 14 |
| Annual and open meetings | 5 | 6 |
| Membership Solicitation | 11 | 8 |
| Property cleanup and miscellaneous net costs | 1 | 1 |
| Legal fees | 34 | 104 |
| License plates and miscellaneous costs | - | - |
| Total Program Services | 117 | 187 |
| Support Services | | |
| Accounting and ballot certification fees | 2 | 3 |
| CSA service fee | 10 | 9 |
| Facilities usage | 4 | 4 |
| Telephone and office supplies | 1 | 1 |
| Total Support Services | 17 | 17 |
| Total Expenditures | 134 | 204 |
| CHANGE IN NET ASSETS | (7) | (70) |
| Other Comprehensive Income (Loss) | (5) | (11) |
| Comprehensive Income (Loss) | (12) | (81) |
| NET ASSETS AT BEGINNING OF YEAR | 413 | 494 |
| NET ASSETS AT END OF YEAR | \$ 401 | \$ 413 |

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

(Dollars in '000's)

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|---------|---------|
| Comprehensive Income (Loss) | \$ (12) | \$ (81) |
| Other Comprehensive (Income) Loss | 5 | - |
| Excess of Expenditures over revenues | (7) | (81) |
| (Increase) decrease in current assets: | | |
| Prepaid expenses | 7 | (7) |
| Increase (decrease) in current liabilities: | | |
| Advances by CSA | 55 | 31 |
| Membership dues received in advance | (81) | - |
| Net Cash Provided (Used) by Operating Activities | (26) | (57) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|--------|--------|
| Accrued Interest | 1 | - |
| Purchase of investments | (135) | - |
| Proceeds from redemption of investments | 220 | 79 |
| Net Cash Provided (Used) by Investing Activities | 86 | 79 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 60 | 22 |
| Cash and Cash Equivalents, beginning of year | 118 | 96 |
| Cash and Cash Equivalents, end of year | \$ 178 | \$ 118 |

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SEAPINES

175 Greenwood Drive
Hilton Head Island, SC 29928

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