

COMMENTS ON FINANCIAL RESULTS AS OF THE END OF JUNE 2009 (8 MONTHS)

Owners, please find attached the financial results as of June 30, 2009. Your Board and our manager Daniel Harvey, continue to impose strict control over expenses without reducing the value of our investment at Waterside. Your Board remains concerned with the substantial increase in our cost for water and sewage and also the buildup of our accounts receivable due to our inability to force the banks and mortgage companies to proceed with the foreclosures, even for the owners who have left Waterside.

We do see some movement on some units under the foreclosure process. A second short sale has been completed and one bank is proceeding in court to complete a foreclosure procedure. Then they will have to take care of the payment of the regular assessment and also pay back six months of regular assessment fees.

We continue to maintain those units in order that they do not deteriorate adjacent units. As example we do have to check for water leaks, to shut down water mains, to close the shutters, to check for pest control, to clean up sidewalk entrances, maintain outside general cleanliness, etc. We do want to thank our staff for their effort in these situations.

This statement indicates some changes in our forecast since the May forecast. In total we are back to the estimated surplus that was forecasted at the end of April. The forecast for the total year does compensate for the monthly fluctuation, like one-time types of expenses.

HIGHLIGHTS

REVENUE

Since the May forecast we increased our revenue from Estoppel Fees. We now have fourteen units sold so far this year. Two more are at the closing stage and two offers are ongoing. We are now forecasting 18 units that will be sold this year. This is in line with the budget estimate, considering the current economic situation in the United States, despite the very slow process of units under foreclosure and the exchange rate of the Canadian dollar, we are in better shape than many communities. If only the banks and mortgage companies would cooperate we could reach 22 units sold.

Income from late fees has increased, and revenue from screening new occupants of a unit has increased. Within the next two weeks we will publish a newsletter where this subject will be discussed. We also have to recognize that this increased revenue in the late fees, normally will end up in the bad debt heading. In total, revenue improvement over the May forecast amounts to \$2,300.00.

EXPENSES

Expense forecast compared to May has improved by \$1,373.00. The objective remains the same if we have an overrun in one type of expense. We do try to find a way to save on something else. We always keep in mind the long term impact that this may have. Your Board will continue to invest and

maintain the site in excellent condition. From commentaries received over the summer months this is being achieved. A program is in place and our maintenance staff does follow it. Currently they are working on the leveling of sidewalks, the repair to the B unit balconies and posts. They have also modified some water hose bibs in order to reduce water consumption from the City of Boynton. We are also maintaining our sprinkler system in top shape considering its age. Later this summer they will pressure clean the sidewalks in order to remove dirt and stains.

On the utilities type of expenses, we have no change in this total category. We remain very concerned about the water and sewage cost. Just to give you an example, a June normal month prior to this year would have cost about \$10,800.00 for the month. This past June the cost was over \$17,000.00, most of it being fixed cost. We do continue to monitor the units that consume more than a normal average at Waterside. By the way, the average at Waterside is about 2,000 gallon a month per unit. Next month we will produce part of this report with exact figures for some units or group of units.

On the administrative group of expenses, there has been very little change from the previous month's forecast, i.e. a deterioration of \$750.00. On the positive side, we are benefitting from our insurance negotiation and they have visited our site and did confirm our insurance cost. Our roof condition and its attachments to the structure, the shutters and other elements do meet the requirements.

On the insurance subject there is some confusion amongst owners. The last Florida legislature did not modify the requirement on the required minimum loss assessment coverage of \$2,000.00 and the obligation to provide a copy to Waterside of such policy and to have Waterside Village named as co-insured on the insurance policy. The last Florida legislature session did adopt under HB 1495, the insurance bill, which includes a provision allowing CITIZENS PROPERTY INSURANCE CORPORATION to increase its premium by 10% per year until such time as its rates are actuarially sound. This refers to CITIZENS. Please note that your Association is not covered by CITIZENS, and we have not seen anything about other insurance companies being required to do so. For sure they have to be actuarially sound--- that's the basis of any insurance evaluation and an accounting audit requirement.

This 10% may have significant impact for a portion of our owners who are covered by CITIZENS.

Under the maintenance heading we have improved our forecast by \$2,323.00. In mid-July we completed our tree maintenance program and increased cost projection for the current year. Originally we were planning to do a tree-pruning to prepare for the hurricane season, but after consultation with our service provider, we concluded that with the work already done this year, including the palm trees, we only need to reduce the size of our trees, and next year we will do a hurricane preparation. This will now become a routine. NovoArbor has conducted the survey and the work. It is the third time that they have worked for Waterside and we are very pleased with their performance, and they have acted in a professional way.

The legal costs are going back up and this is mainly due to our receivables situation. In addition to not collecting our dues, we also have to spend money to protect our interests.

GENERAL COMMENTS

Following last month's positive impact from our insurance negotiation and mainly the negative impact of the water and sewage, our forecast for the year has improved with a potential surplus of revenue over expenses of \$46,450.00. This figure is before the impact of the cost related to the potential land acquisition. We do not have any additional comments to make on this; we are still working on the legal wording with the Town of Hypoluxo. Your Board is also debating the seal coating of our paved surface.

ACCOUNTS RECEIVABLE

The accounts receivables now stand at \$86,790.00 --- a record --- and if no solution for the foreclosure process is found, this will simply grow by \$3,000.00 a month. We have created a reserve and there will be no need to have a special assessment to cover this expense. The impact is equivalent to \$6.00 a month for each of the good-paying owners. This prevents Waterside to continue to invest in its infrastructure. We now have 14 foreclosures and three legal cases. One of the foreclosures is being bought, one offer is outstanding on a second one and one unit will be taken over by a bank. So we do see some encouraging signs even if the number of foreclosures is growing. In addition to the legal costs that we have to support for those, it also creates a burden on the office staff and on our accounting firm.

If we can simply resolve those foreclosures, which now have an impact on the value of each of our units, we will be in excellent position for the future by resolving those situations.

CONCLUSION

We are maintaining our budget objective for the year even with the negative impact of the water and sewage and the foreclosure that impacts the quality of our receivables. Thanks to all for reading these notes. We now have over 320 owners with an email address, and the office personnel continue to add more to our list.

Let's hope that we can give you better news next month on the Miner Road land.

For the Board of Directors

By Andre Mongrain President

July 29, 2009

EIGHT MONTHS FINANCIAL RESULTS AS OF END OF JUNE 2009

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
<u>REVENUE</u>				290		
NSF FEE	150	0	150	0	150	
100 ASSESSMENTS **	867,867	870,187	1,302,000	1,305,280	-3,280	290.00
102 LATE FEE INCOME	6,535	667	7,000	1,000	6,000	
103 INTEREST INCOME	310	4,667	5,500	7,000	-1,500	
104 ESTOPPEL FEE	2,100	1,800	2,700	2,700	0	
106 ACCESS/GATE CARDS	15	333	100	500	-400	
107 TRANSFER/SCREENING FEE	22,800	14,666	26,000	22,000	4,000	
108 MISCELLANEOUS INCOME	3,337	867	3,500	1,300	2,200	
TOTAL REVENUE	903,114	897,187	1,346,950	1,339,780	7,170	
<u>EXPENSES</u>						
<u>UTILITIES</u>						
200 ELECTRIC	31,751	35,333	51,000	53,000	-2,000	10.75
201 WATER & SEWER	118,009	108,667	193,000	163,000	30,000	33.05
202 GARBAGE & RECYCLING	20,402	20,667	31,000	31,000	0	6.29
203 PROPANE GAS	357	4,666	1,000	7,000	-6,000	1.42
204 CABLE T.V.	46,969	41,333	65,000	62,000	3,000	12.57
205 TELEPHONE	5,496	4,800	7,500	7,200	300	1.46
205.1 WIFI	1,249	16,667	2,000	25,000	-23,000	5.06
	224,233	232,133	350,500	348,200	2,300	70.60

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>08/09 FINAL</u> <u>BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY</u> <u>COST</u>
ADMINISTRATIVE						
300 PAYROLL-ADMINISTRATIVE	71,537	72,667	109,000	109,000	0	22.10
301 PAYROLL-MAINTENANCE	39,679	39,533	59,300	59,300	0	12.02
302 PAYROLL TAXES	10,125	8,867	14,700	13,300	1,400	2.70
302.1 EMPLOYEE BENEFITS	6,399	7,467	10,200	11,200	-1,000	2.27
303 PAYROLL SERVICE FEES	2,384	2,400	3,600	3,600	0	0.73
304 SECURITY GUARDS	32,761	35,000	49,000	52,500	-3,500	10.64
305 ACCOUNTING	16,553	17,000	25,000	25,500	-500	5.17
305.1 BANK FEES	1,132	400	1,500	600	900	0.12
305.2 BAD DEBT	-1,506	18,333	27,500	27,500	0	5.58
306 AUDITING	4,200	3,000	4,500	4,500	0	0.91
307 LEGAL	9,655	6,000	13,000	9,000	4,000	1.82
308 PROPERTY TAX	1,941	1,400	2,100	2,100	0	0.43
309 INCOME TAX	-61	467	0	700	-700	0.13
310 INSURANCE	172,986	188,667	232,835	283,000	-50,165	57.38
311 OFFICE SUPPLIES	2,552	3,667	4,200	5,500	-1,300	1.12
312 POSTAGE & SHIPPING	1,846	2,500	3,050	3,750	-700	0.76
313 LICENSES	2,334	1,667	2,334	2,500	-166	0.51
314 TRAVEL & MILEAGE	331	233	450	350	100	0.07
315 MEETINGS & EDUCATION	0	333	250	500	-250	0.10
316 SCREENING	6,123	3,667	7,500	5,500	2,000	1.12
317 ALARM SYSTEM	239	333	400	500	-100	0.10
318 COMPUTER REPAIR/SERVICE	0	1,333	1,000	2,000	-1,000	0.42
319 COPIER	2,158	2,533	3,600	3,800	-200	0.76
320 MISCELLANEOUS ADMIN.EXP.	6,120	1,666	6,500	2,500	4,000	0.51
320.1 WEBSITE IMPROVEMENT	5,944	5,000	6,500	7,500	-1,000	1.52
	395,432	424,133	588,019	636,200	-48,181	128.99

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MAINTENANCE						
400 GASOLINE	370	500	400	750	-350	0.15
401 SPRINKLERS	14,969	6,000	15,500	9,000	6,500	1.82
402 PEST CONTROL	15,644	16,000	22,500	24,000	-1,500	4.87
402.6 MISC. MAINT.EXP.	350	333	700	500	200	0.10
403 LANDSCAPING	79,316	88,000	108,000	132,000	-24,000	26.76
FERTILIZATION & WEED CON.	5,415	0	16,000	0	16,000	
404 TREE TRIMING	8,382	4,667	8,382	7,000	1,382	1.42
404.1 NEW TREES & BUSHES	13,461	16,667	15,000	25,000	-10,000	5.07
405 BUILDING MAINTENANCE	24,544	13,333	21,000	20,000	1,000	4.05
406 GROUNDS MAINTENANCE	9,570	4,668	10,000	7,000	3,000	1.42
407 SECURITY GATE EXPENSE	2,833	4,000	4,000	6,000	-2,000	1.22
408 CAMERA & VIDEO EXP.	0	8,000	500	12,000	-11,500	2.43
409 PLUMBING EXP.	718	667	1,000	1,000	0	0.20
410 ELECTRICAL EXP.	5,874	4,000	6,500	6,000	500	1.22
411 POOL SUPPLIES & REPAIR	9,909	6,667	12,000	10,000	2,000	2.03
412 STREET MAINTENANCE	26,864	6,667	26,864	10,000	16,864	2.03
413 UNIFORMS	0	173	0	260	-260	0.05
414 GOLF CARTS	31	1,333	500	2,000	-1,500	0.41
415 LOCKSMITH	511	267	600	400	200	0.08
416 FIRE SAFETY	5,231	3,667	5,500	5,500	0	1.12
417 JANITORIAL SUPPLIES	1,903	1,600	3,000	2,400	600	0.49
419 POSTAL STATION	524	2,000	2,000	3,000	-1,000	0.61
420 PAINTING PROGRAM	15,000	8,666	15,000	13,000	2,000	2.63
421 STREET LIGHT	0	3,333	2,000	5,000	-3,000	1.01
422 SHUFFLE BOARD CANOPY	10,130	3,333	10,130	5,000	5,130	1.01
423 FLAG POST	3,663	0	3,663	0	3,663	
424 TENNIS COURT	16,070	10,000	16,070	15,000	1,070	3.06
425 POOL CHAIRS/TABLES	5,787	4,333	6,000	6,500	-500	1.31
426 ENTRANCE SIGNS/FOUNTAIN	11,902	3,333	11,902	5,000	6,902	1.01
	288,971	222,207	344,711	333,310	11,401	67.58

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450 CONTINGENCY	-4,655	8,047	12,070	12,070	0	2.45
476 INTEREST EXPENSE	3,762	6,667	5,200	10,000	-4,800	2.03
	-893	14,714	17,270	22,070	-4,800	4.48
GRAND TOTAL EXPENSES	907,744	893,187	1,300,500	1,339,780	-39,280	271.65
REVENUE OVER EXPENSES	-4,630	0	46,450	0	46,450	0

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RESERVES						
ROOFS	16,667	16,667	25,000	25,000	0	5.07
PAINTING	1,600	1,600	2,400	2,400	0	0.49
ASPHALT	16,667	16,667	25,000	25,000	0	5.07
POOLS	8,400	8,400	12,600	12,600	0	2.55
AWNINGS	13,333	13,333	20,000	20,000	0	4.06
SPRINKLERS	6,666	6,666	10,000	10,000	0	2.02
WORKING CAPITAL	20,000	20,000	30,000	30,000	0	6.08
	83,333	83,333	125,000	125,000	0	25.34