

**OCTOBER 2009 FINANCIAL RESULTS COMMENTS (NON AUDITED 12 MONTHS)**

Owners, please find attached the financial results as of October 31, 2009. We now have completed the 2008/2009 fiscal year and your Board is pleased with the end results that are in line with the series of forecasts that were published monthly over the past fiscal year. These results were produced in record time, due to the good work of our office staff and with the cooperation of Barry & Company. These results are now heading to our external auditor for his final review and audit, all in accordance with the Florida Statutes and good accounting practice.

As you will see we are very close to the expected budget, meaning expenses are practically equivalent to the revenue. We do show a surplus of \$ 4,454.00 for the year. These results do not account for the depreciation of our fixed assets as it is a non-cash issue. We did set up the first portion of the reserve for the land purchase.

The interest on the CD's related to the reserve was transferred to "interest to reserve" for an amount of \$5,500.00.00. This reduces our revenue expectation as we have to account for the amount under the reserve account. In the future the budget set up will account for this accounting practice. As we grow our various reserve components, even with the current low rate of interest, we will continue to accumulate a substantial amount of interest revenue under the reserve accounts which we hope will offset inflation factors on the various elements of our reserve.

We also revised in full detail the reserve for bad debt by increasing it to a total cost of \$35,744.00 which brings the reserve to \$66,840.00 on total receivable value of \$98,572.64. If we can simply resolve the foreclosures (we are left with 11 of those situations), the banking process is extremely long and will take probably another 12 months to resolve.

Our various reserves are fully funded, even for the month of October. On October 16 we transferred over \$30,000.00 to the reserve account, which included the first reserve of \$25,000.00 for the land purchase. We have invested \$100,000.00 in a five-year term deposit carrying an annual interest rate of 3.20% on flexible term in case of need.

## HIGHLIGHTS

### REVENUE

We did manage to close on 20 units sold this year. There are currently three on-going closings that should all be closed before the end of December. We do have a lot of interest toward Waterside. Your Board thinks that the investment of the last couple of years and the current plan in place are paying off for the benefit of all our owners. Your Board appreciates your positive comments toward Waterside and our new owners do also bring new possibilities and contacts for Waterside. There is not a single day where Daniel, our Manager, or I are showing the site to prospective buyers. It is very encouraging to see all this activity.

Revenue from screening is way over budget, and we do expect this trend to continue. Interest revenue is short of budget and we all know the reason.

On the revenue section you can see a negative figure under "interest to reserve" for an amount of \$5,500.00. This is the amount that is part of the interest revenue under account #103 that belongs to the reserve CD. It cannot be counted as pure operating revenue, because this interest is earned by the reserve account and needs to remain in the reserve accounts in order to compensate somewhat for the inflation factor applicable to each category of reserve.

### EXPENSES

Under the utility section we are below budget for the total year. The impact of the installation of the pool heat pumps did produce better results than expected. That substantial investment of more than \$28,000.00 was paid off in less than one year in propane gas savings and this benefit will go on for many years. The electric cost is below budget. We have to remember that we changed most of the electrical panel controls over the year with more up-to-date equipment and the estimated consumption for the pools was lower than expected.

Propane gas is also lower than budget as we installed the pools' heat pumps a lot faster than anticipated. We still use propane gas for our main generator that supplies the office and our gate operation in case of power outages.

As far as the administrative expenses are concerned we are below budget by \$41,712.00 due to our reduction in insurance cost. As mentioned we did increase our reserve for bad debts and managed to save under office supplies, postage and shipping and computer maintenance. On this last item we did not spend a dollar. The positive impact of the new photocopier which serves all of our print needs, inclusive of print initiated by computer tasks, does minimize the use of our small printers that are costly to maintain. Legal costs are close to budget and are mainly incurred in relation to the collection of our receivable and foreclosure follow-up. Legal cost incurred for the Miner Road land purchase is under the contingency account.

We exceeded the budget under payroll maintenance, and your Board believes it was worth it. We now have a very competent and stable maintenance staff and this can only produce positive results. Comments of gratitude received by the various Board members since the beginning of the season about the shape of the site is due to the work done by our maintenance staff.

You can also see an overrun under account #308, property tax. This probably resulted since the early days of Waterside when we did not recognize that in Florida (and in many U.S. states) you pay the tax bill only at year-end and covers the previous 12 months. In accordance with good accounting practice you do have to account for this during the current fiscal year.

Under the maintenance group of expenses we are over budget by \$41,611.00. This is the result of specific projects that everyone at Waterside can enjoy, like the repairs and seal-coating of the asphalt, the entrance sign, the flag poles that now respect the applicable protocol, the installation of the shuffleboard canopy and a substantial investment in our sprinkler system. Some of those projects were not projected for the year, but they were necessary and they constitute an investment in Waterside value and enjoyment.

We still have to install new lights in 2 darker areas. We bought the fixtures and we should be installing those before end of November.

Interest expense at \$4,834.00 is down to the last stretch. We have paid all of our debt that carries interest costs by the end of October, inclusive of the shutters and the loan for insurance. Under Shutters, we still have to collect dues for the month of November and December and then we will be left with the owners that have long outstanding debt toward the Association. The only remaining payable on the books are related to year-end accrual for invoices related to the month of October but are received and paid in November.

The contingency covers the legal cost in relation to the land purchase as your Board has decided not to capitalize these costs but rather to charge them as an expense.

We have also recorded a new reserve of \$25,000.00 for the land acquisition out of the current year's expected surplus. There will be no need for a special assessment for the land purchase when this transaction is completed.

On this subject we have now a contract in place signed by the Town of Hypoluxo and Waterside; we only have to wait for the foreclosure and auction process that may take 18 months. There is nothing we can do with the land or the house till this legal process is completed.

#### **ACCOUNTS RECEIVABLE**

This is the sour point for Waterside. Our receivable stands at \$98,572.64 and we will keep adding to this figure till there is resolution of the units under foreclosure. We are left with 11 foreclosures. We have to remember that we have sufficient reserve to cover this shortfall, and

will always prefer to resolve those. We have people interested in buying those units, but bank cooperation is lacking. About half of those units are vacant and we have to make sure that no deterioration takes place inside those units, which adds more cost to the Association. The necessity to reserve for the bad debt eventuality represents a cost of \$7.25 per month for each owner. It will be great to have this money to speed up some on-going projects.

### **CONCLUSION**

We HAVE ACHIEVED our total budget objective for the current fiscal year and have done a lot more than projected. Now we have to move on with the new year's budget and its various projects. You are aware of the awning replacements, repairs or re-installations. The contract is signed and some of the work has already been going on. On November 14 modification to our entrance gate will help to improve traffic flow with a better control device on the arm. You will also see more and more signs of improvement and over the next three weeks we will also replace our aging benches with new ones, and we will be adding mulch.

In addition I am confident that our volunteers will imitate last season's contribution with spreading mulch and some painting work to complete our curbs and car stops. At the same time we will finalize the selection of bushes and trees to replace our dying ones, so a lot of work will be coming in. Thanks to some of our owners who have already initiated some tasks like the repair of bench swings (gliders) and the cleaning up of their surroundings. A lot of our owners have also submitted projects for surrounding improvements at their own expense, and this not only improves their area but contributes to all of Waterside.

Again thanks to all owners

Andre Mongrain, President

November 13, 2009

**TWELVE MONTHS FINANCIAL RESULTS AS OF OCTOBER 31, 2009**

<u>DESCRIPTION</u>	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>TOTAL YEAR FORECAST</u>	<u>08/09 FINAL BUDGET</u>	<u>VARIANCE</u>	<u>MONTHLY COST</u>
<b><u>REVENUE</u></b>						<b>290</b>
NSF FEE	100	0	100	0	100	
100 ASSESSMENTS **	1,302,960	1,305,280	1,302,960	1,305,280	-2,320	<b>290.00</b>
102 LATE FEE INCOME	9,940	1,000	9,940	1,000	8,940	
103 INTEREST INCOME	6,403	7,000	6,403	7,000	-597	
104 ESTOPPEL FEE	3,000	2,700	3,000	2,700	300	
106 ACCESS/GATE CARDS	15	500	15	500	-485	
107 TRANSFER/SCREENING FEE	30,000	22,000	30,000	22,000	8,000	
108 MISCELLANEOUS INCOME	4,182	1,300	4,182	1,300	2,882	
INTEREST TO RESERVE	-5,500		-5,500		-5,500	
<b>TOTAL REVENUE</b>	<b>1,351,100</b>	<b>1,339,780</b>	<b>1,351,100</b>	<b>1,339,780</b>	<b>11,320</b>	
<b><u>EXPENSES</u></b>						
<b><u>UTILITIES</u></b>						
200 ELECTRIC	44,603	53,000	44,603	53,000	-8,397	<b>10.75</b>
201 WATER & SEWER	187,519	163,000	187,519	163,000	24,519	<b>33.05</b>
202 GARBAGE & RECYCLING	32,235	31,000	32,235	31,000	1,235	<b>6.29</b>
203 PROPANE GAS	381	7,000	381	7,000	-6,619	<b>1.42</b>
204 CABLE T.V.	64,570	62,000	64,570	62,000	2,570	<b>12.57</b>
205 TELEPHONE	9,068	7,200	9,068	7,200	1,868	<b>1.46</b>
205.1 WIFI	1,821	25,000	1,821	25,000	-23,179	<b>5.06</b>
	<b>340,197</b>	<b>348,200</b>	<b>340,197</b>	<b>348,200</b>	<b>-8,003</b>	<b>70.60</b>

<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>
<b>ADMINISTRATIVE</b>						
300 PAYROLL-ADMINISTRATIVE	109,240	109,000	109,240	109,000	240	<b>22.10</b>
301 PAYROLL-MAINTENANCE	61,752	59,300	61,752	59,300	2,452	<b>12.02</b>
302 PAYROLL TAXES	14,698	13,300	14,698	13,300	1,398	<b>2.70</b>
302.1 EMPLOYEE BENEFITS	10,212	11,200	10,212	11,200	-988	<b>2.27</b>
303 PAYROLL SERVICE FEES	3,571	3,600	3,571	3,600	-29	<b>0.73</b>
304 SECURITY GUARDS	50,979	52,500	50,979	52,500	-1,521	<b>10.64</b>
305 ACCOUNTING	24,541	25,500	24,541	25,500	-959	<b>5.17</b>
305.1 BANK FEES	1,540	600	1,540	600	940	<b>0.12</b>
305.2 BAD DEBT	35,744	27,500	35,744	27,500	8,244	<b>5.58</b>
306 AUDITING	4,500	4,500	4,500	4,500	0	<b>0.91</b>
307 LEGAL	9,273	9,000	9,273	9,000	273	<b>1.82</b>
308 PROPERTY TAX	4,098	2,100	4,098	2,100	1,998	<b>0.43</b>
309 INCOME TAX	-61	700	-61	700	-761	<b>0.13</b>
310 INSURANCE	232,187	283,000	232,187	283,000	-50,813	<b>57.38</b>
311 OFFICE SUPPLIES	3,519	5,500	3,519	5,500	-1,981	<b>1.12</b>
312 POSTAGE & SHIPPING	2,630	3,750	2,630	3,750	-1,120	<b>0.76</b>
313 LICENSES	2,334	2,500	2,334	2,500	-166	<b>0.51</b>
314 TRAVEL & MILEAGE	607	350	607	350	257	<b>0.07</b>
315 MEETINGS & EDUCATION	300	500	300	500	-200	<b>0.10</b>
316 SCREENING	7,105	5,500	7,105	5,500	1,605	<b>1.12</b>
317 ALARM SYSTEM	319	500	319	500	-181	<b>0.10</b>
318 COMPUTER REPAIR/SERVICE	0	2,000	0	2,000	-2,000	<b>0.42</b>
319 COPIER	3,657	3,800	3,657	3,800	-143	<b>0.76</b>
320 MISCELLANEOUS ADMIN.EXP.	5,589	2,500	5,589	2,500	3,089	<b>0.51</b>
320.1 WEBSITE IMPROVEMENT	6,154	7,500	6,154	7,500	-1,346	<b>1.52</b>
	<b>594,488</b>	<b>636,200</b>	<b>594,488</b>	<b>636,200</b>	<b>-41,712</b>	<b>128.99</b>

<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>
<b><u>MAINTENANCE</u></b>						
400 GASOLINE	613	750	613	750	-137	<b>0.15</b>
401 SPRINKLERS	14,502	9,000	14,502	9,000	5,502	<b>1.82</b>
402 PEST CONTROL	24,802	24,000	24,802	24,000	802	<b>4.87</b>
402.6 MISC. MAINT.EXP.	971	500	971	500	471	<b>0.10</b>
403 LANDSCAPING	116,227	132,000	116,227	132,000	-15,773	<b>26.76</b>
FERTILIZATION & WEED CON.	15,226	0	15,226	0	15,226	
404 TREE TRIMMING	8,725	7,000	8,725	7,000	1,725	<b>1.42</b>
404.1 NEW TREES & BUSHES	13,461	25,000	13,461	25,000	-11,539	<b>5.07</b>
405 BUILDING MAINTENANCE	21,968	20,000	21,968	20,000	1,968	<b>4.05</b>
406 GROUNDS MAINTENANCE	9,976	7,000	9,976	7,000	2,976	<b>1.42</b>
407 SECURITY GATE EXPENSE	4,522	6,000	4,522	6,000	-1,478	<b>1.22</b>
408 CAMERA & VIDEO EXP.	0	12,000	0	12,000	-12,000	<b>2.43</b>
409 PLUMBING EXP.	2,443	1,000	2,443	1,000	1,443	<b>0.20</b>
410 ELECTRICAL EXP.	6,186	6,000	6,186	6,000	186	<b>1.22</b>
411 POOL SUPPLIES & REPAIR	13,658	10,000	13,658	10,000	3,658	<b>2.03</b>
412 STREET MAINTENANCE	48,836	10,000	48,836	10,000	38,836	<b>2.03</b>
413 UNIFORMS	0	260	0	260	-260	<b>0.05</b>
414 GOLF CARTS	31	2,000	31	2,000	-1,969	<b>0.41</b>
415 LOCKSMITH	511	400	511	400	111	<b>0.08</b>
416 FIRE SAFETY	5,755	5,500	5,755	5,500	255	<b>1.12</b>
417 JANITORIAL SUPPLIES	2,328	2,400	2,328	2,400	-72	<b>0.49</b>
419 POSTAL STATION	524	3,000	524	3,000	-2,476	<b>0.61</b>
420 PAINTING PROGRAM	15,000	13,000	15,000	13,000	2,000	<b>2.63</b>
421 STREET LIGHT	1,103	5,000	1,103	5,000	-3,897	<b>1.01</b>
422 SHUFFLE BOARD CANOPY	10,130	5,000	10,130	5,000	5,130	<b>1.01</b>
423 FLAG POST	3,663	0	3,663	0	3,663	
424 TENNIS COURT	16,071	15,000	16,071	15,000	1,071	<b>3.06</b>
425 POOL CHAIRS/TABLES	5,787	6,500	5,787	6,500	-713	<b>1.31</b>
426 ENTRANCE SIGNS/FOUNTAIN	11,902	5,000	11,902	5,000	6,902	<b>1.01</b>
	<b>374,921</b>	<b>333,310</b>	<b>374,921</b>	<b>333,310</b>	<b>41,611</b>	<b>67.58</b>

<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>
450 CONTINGENCY	7,206	12,070	7,206	12,070	-4,864	2.45
476 INTEREST EXPENSE	4,834	10,000	4,834	10,000	-5,166	2.03
LAND RESERVE	25,000		25,000		25,000	
	<b>37,040</b>	<b>22,070</b>	<b>37,040</b>	<b>22,070</b>	<b>14,970</b>	<b>4.48</b>
<b>GRAND TOTAL EXPENSES</b>	<b>1,346,647</b>	<b>1,339,780</b>	<b>1,346,647</b>	<b>1,339,780</b>	<b>6,867</b>	<b>271.65</b>
<b>REVENUE OVER EXPENSES</b>	<b>4,454</b>	<b>0</b>	<b>4,454</b>	<b>0</b>	<b>4,454</b>	<b>0</b>

<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>
<b>RESERVES</b>						
ROOFS	25,000	25,000	25,000	25,000	0	5.07
PAINTING	2,400	2,400	2,400	2,400	0	0.49
ASPHALT	25,000	25,000	25,000	25,000	0	5.07
POOLS	12,600	12,600	12,600	12,600	0	2.55
AWNINGS	20,000	20,000	20,000	20,000	0	4.06
SPRINKLERS	10,000	10,000	10,000	10,000	0	2.02
WORKING CAPITAL	30,000	30,000	30,000	30,000	0	6.08
	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>125,000</b>	<b>0</b>	<b>25.34</b>