

COMMENTS ON THE FEBRUARY 2012 FINANCIAL RESULT

Four months of the 2011/2012 of your Association's financial year are completed. This month we will discuss very specific subjects on accounts receivable and the action taken on those. We will be talking about insurance coverage and current year requirements on those. We will list the ongoing projects and what has been completed so far. Results for the year remain positive and contributions to the reserve are done on a monthly basis. We will explain the modifications to the expected results for the full year when compared to the budget and previous forecast.

This report is emailed to all owners who have requested communications from the Board via e-mail, but this month's report will also be mailed to owners who do not have email or who have not provided the authorization to the Association. This is done because of the importance of the some of the items' comments.

We made progress last month regarding grounds maintenance, new trees, bushes planted, the entrance fountain, and we hope that we found a solution for the remaining two gazebos. We have not made any real progress on the south Miner Road land. We are still in the process of selecting the architect to submit a plan to the Town of Hypoluxo. We hope to complete this before the end of March. We have ordered new shelving for the library and are working on the painting program for the current year.

On the **insurance** front, as mentioned in last month's report, we expect to be faced with a premium increase that will exceed the budget by \$20,000.00; the previous month's overrun was forecast at \$14,000.00. Currently ongoing is the preparation of a new **mitigation** report which requires checking one unit per building in order to determine our rate qualification. They mainly look at the roof structures to compare them to current building code requirements and other insurance industry standards. When completed, this report will be available to owners for their own insurance coverage. The next step is the **appraisal** value of our property; the current estimate is based on a 3% increase of our coverage value. Our evaluation is estimated at \$34,012,351.00.

Our deductible is 5% of the appraised value or \$1,700,618, not counting the reserve in case of a major event (like the one in 2004/2005) and would result in a special assessment of \$4,137.00 per unit to restore the property loss. From this the applicable reserve for roof and awning --- currently valued at \$578.00 per unit --- would be applied for a net loss special assessment of \$3,559.00. Owners who have loss assessment coverage in their personal insurance policy will see a good portion of this possible maximum loss assessment covered by their policy.

On the **accounts receivable and bad debt** front, your association did move on one specific situation by completing a foreclosure procedure on one owner's unit. The foreclosure took place on March 12, 2012 and the owner should be evicted from the unit in about 4 weeks from now, unless there is some development that your Board can agree to. The Association is now the owner of one unit and the same procedure can be applied to similar situations if we feel that the mortgage companies are not moving fast enough. We should see two more foreclosure procedures move forward before April 2, 2012, initiated by mortgage companies. We will then be left with two units in foreclosure; one of these is current with the Association. In other associations some owners are considering suing owners who are not paying their dues to the association, on the basis that the non-payment does cause individual and collective financial harm. So far we are not aware of any association where this is actually happening.

On the **"taxes"** front, a lot is currently going on at the State and County level. Everyone has heard about form 8840 filing requirement. Now the County is setting up a group of auditors in order to collect the 5% sale tax from owners who rent their unit for a short term period, less than 6 months. Now there is form 1042-S about payment retention and remittance to the IRS by a renter when paying rent to an un-incorporated person or firm.

Your Board cannot comment on any of these requirements. The only recommendation that we can make is to abide by the law and to consult a tax specialist about those requirements. For access to those forms please go to the government website www.irs.gov/ , and select the appropriate form number. You will also obtain appropriate explanation on that site.

REVENUE

Limited changes have occurred from last month's forecast. A positive development is the number of units that have been sold during the first two weeks of March at an excellent price. Pricing is going up for units that are well maintained and where the owner has made improvements to the unit. (New owners tend to buy an "occupant ready" unit.) Also we have increased our late fee income by \$1,000.00 compared to budget.

EXPENSES

There have been minimal changes to the **utilities** group of expenses. We still estimate that we will be lower than budget. Please always be conservative about water consumption; the Association is charged on a per- gallon consumption rate, beside a fixed monthly fee per unit.

We now forecast our **administrative** type of expenses to be over budget by \$10,860.00, all due to the insurance cost. Limited modification has been made to other components of this group.

We have lowered our **maintenance** section of expenses. We now forecast to be below budget by \$8,466.00; some of these expenses have been lowered not only to pay for the insurance, but also due to the lack of physical resources. Waterside will not reduce its high standard of site- beautification and cleanliness, but we will have to use alternatives which will mean an increase in our monthly fee for the coming year. To our "public works" volunteers thanks for your work and commitment to Waterside.

The entrance fountain is practically completed. We have to plant new bushes and install a new lighting system, besides finding a way to marginally improve the water debit. We still have to complete the contract for the installation of the two new gazebos, hopefully before mid-April. We are also working on a contract to improve some sidewalks, including the one at the clubhouse pool. This will be part of the summer work.

CONCLUSION

A lot has been going on. With the help of his group of supporters, Michel Dyotte has practically completed planting new bushes and trees for the current year, and the front of the office looks good. We are also in discussion to finalize a mandate for the south Miner Road land improvement; we have the obligation toward the Town and we should have a signed agreement with an architect/planner before the end of March.

Even with the cost increase, insurance premiums will be paid on a cash basis. We are finalizing the list of planned summer projects, which will be published via email and on our website. A Board meeting will also be scheduled before the end of March, and every owner is welcome.

Andre Mongrain President/Treasurer

WATERSIDE FINANCIAL RESULT
AS OF FEBRUARY 29, 2012

	<u>YTD</u>	<u>YTD</u>	<u>TOTAL YEAR</u>	<u>2011/2012</u>	
<u>REVENUE</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>FORECAST</u>	<u>BUDGET</u>	<u>VARIANCE</u>
				290	
NSF FEE	210	0	210	0	210
100 ASSESSMENTS **	445,960	445,960	1,337,880	1,337,880	0
102 LATE FEE INCOME	2,025	1,333	5,000	4,000	1000
103 INTEREST INCOME	26	167	200	500	-300
104 ESTOPPEL FEE	450	1,000	1,800	3,000	-1200
106 ACCESS/GATE CARDS	15	67	100	200	-100
107 TRANSFER/SCREENING FEE	16,345	10,667	31,000	32,000	-1000
108 MISCELLANEOUS INCOME	707	666	2,000	2,000	0
TOTAL REVENUE	465,738	459,860	1,378,190	1,379,580	-1390

EXPENSES
UTILITIES

200 ELECTRIC	14,218	15,667	45,000	47,000	-2,000
201 WATER & SEWER	75,468	75,000	225,000	225,000	0
202 GARBAGE & RECYCLING	14,047	12,333	39,000	37,000	2,000
203 PROPANE GAS	31	167	500	500	0
204 CABLE T.V.	21,527	23,333	67,500	70,000	-2,500
205 TELEPHONE	2,383	2,400	7,200	7,200	0
205.1 WIFI	534	667	1,750	2,000	-250
	128,208	129,567	385,950	388,700	-2,750

<u>ADMINISTRATIVE</u>	<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>2011/2012</u> <u>BUDGET</u>	<u>VARIANCE</u>
	300 PAYROLL-ADMINISTRATIVE	35,061	37,850	110,550	113,550	-3,000
	301 PAYROLL-MAINTENANCE	22,973	24,000	72,000	72,000	0
	302 PAYROLL TAXES	4,491	5,833	15,000	17,500	-2,500
	302.1 EMPLOYEE BENEFITS	4,692	5,667	16,000	17,000	-1,000
	304 SECURITY GUARDS	19,229	18,333	55,500	55,000	500
	305 ACCOUNTING	8,333	8,500	25,500	25,500	0
	305.1 BANK FEES	264	200	650	600	50
	305.2 BAD DEBT	13,939	8,000	21,500	24,000	-2,500
	305.3 COLLECTION COST	3,555	3,000	9,000	9,000	0
	306 AUDITING	4,400	1,567	4,400	4,700	-300
	307 LEGAL	-465	1,333	2,500	4,000	-1,500
	308 PROPERTY TAX	2,860	900	2,860	2,700	160
	309 INCOME TAX	0	167	500	500	0
	310 INSURANCE	62,502	61,667	205,000	185,000	20,000
	311 OFFICE SUPPLIES	894	1,083	2,500	3,250	-750
	312 POSTAGE & SHIPPING	534	600	1,500	1,800	-300
	313 LICENSES	1,709	833	2,500	2,500	0
	314 TRAVEL & MILEAGE	471	267	800	800	0
	315 MEETINGS & EDUCATION	0	100	300	300	0
	316 SCREENING	4,909	3,167	9,000	9,500	-500
	317 ALARM SYSTEM	159	233	700	700	0
	318 COMPUTER REPAIR/SERVICE	1,798	667	2,500	2,000	500
	319 COPIER	1,480	1,333	4,000	4,000	0
	320 MISCELLANEOUS ADMIN.EXP.	2,491	1,333	4,000	4,000	0
	320.1 WEBSITE IMPROVEMENT	0	667	1,500	2,000	-500
	323 SOCIAL FACILITIES	6,553	1,667	7,500	5,000	2,500
		202,832	188,967	577,760	566,900	10,860

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>2011/2012</u> <u>BUDGET</u>	<u>VARIANCE</u>
400 GASOLINE	327	333	1,000	1,000	0
401 SPRINKLERS	1,761	1,667	6,000	5,000	1,000
402 PEST CONTROL	8,712	4,333	15,000	13,000	2,000
402.6 MISC. MAINT.EXP.	31	667	1,000	2,000	-1,000
403 LANDSCAPING	39,171	38,000	114,000	114,000	0
403.1 FERTILIZATION-WEED CONT.	2,457	2,667	8,000	8,000	0
404 TREE TRIMMING	185	5,000	10,000	15,000	-5,000
404.1 NEW TREES & BUSHES	2,038	6,000	10,000	18,000	-8,000
405 BUILDING MAINTENANCE	9,140	8,000	24,000	24,000	0
406 GROUNDS MAINTENANCE	22,646	8,000	30,000	24,000	6,000
407 SECURITY GATE EXPENSE	152	2,667	8,000	8,000	0
408 CAMERA & VIDEO EXP.	0	1,667	2,000	5,000	-3,000
409 PLUMBING EXP.	962	1,333	4,000	4,000	0
410 ELECTRICAL EXP.	2,821	1,333	4,000	4,000	0
411 POOL SUPPLIES & REPAIR	6,808	3,000	12,000	9,000	3,000
412 STREET MAINTENANCE	527	1,000	3,000	3,000	0
413 UNIFORMS	0	83	250	250	0
414 GOLF CARTS	194	3,667	7,000	11,000	-4,000
415 LOCKSMITH	11	167	300	500	-200
416 FIRE SAFETY	3,068	1,667	6,000	5,000	1,000
417 JANITORIAL SUPPLIES	1,025	667	2,500	2,000	500
418 AWNINGS REPAIRS	-4,255	10,000	26,000	30,000	-4,000
420 PAINTING PROGRAM	3,645	14,333	43,000	43,000	0
421 STREET LIGHT	0	333	1,000	1,000	0
425 POOL CHAIRS/TABLES	0	667	2,000	2,000	0
426 ENTRANCE SIGNS/FOUNTAIN	3,436	1,667	15,000	5,000	10,000
429 BENCHES REPLACEMENT	2,034	1,000	2,034	3,000	-966
432 MAIN OFFICE/GUARD HOUSE	0	1,166	2,500	3,500	-1,000
433 LIBRARY	1,437	1,666	3,200	5,000	-1,800
478 GAZEBO	0	6,000	15,000	18,000	-3,000
LIGHT RETENTION POUND	0	3,333	10,000	10,000	0
	108,333	132,083	387,784	396,250	-8,466

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>2011/2012</u> <u>BUDGET</u>	<u>VARIANCE</u>
450 CONTINGENCY	100	9,243	26,500	27,730	-1,230
476 INTEREST EXPENSE	0	0	0	0	0
	100	9,243	26,500	27,730	-1,230
GRAND TOTAL EXPENSES	439,473	459,860	1,377,994	1,379,580	-1,586
REVENU OVER EXPENSES	26,265	0	196	0	196

<u>DESCRIPTION</u>	<u>YTD</u> <u>ACTUAL</u>	<u>YTD</u> <u>BUDGET</u>	<u>TOTAL YEAR</u> <u>FORECAST</u>	<u>2011/2012</u> <u>BUDGET</u>	<u>VARIANCE</u>
RESERVES					
2510 ROOFS	8,333	8,333	25,000	25,000	0
2515 PAINTING	800	800	2,400	2,400	0
2530 ASPHALT	5,000	5,000	15,000	15,000	0
2542 POOLS	3,333	3,333	10,000	10,000	0
2543 AWNINGS	3,333	3,333	10,000	10,000	0
2546 SPRINKLERS	1,667	1,667	5,000	5,000	0
2547 TV CABLE INFRASTRUCTURE	4,167	4,167	12,500	12,500	0
2545 WORKING CAPITAL	4,167	4,167	12,500	12,500	0
2544 INTEREST REV. RESERVE	3,886	2,000	10,000	6,000	4,000
	34,686	32,800	102,400	98,400	4,000

ANDRE MONGRAIN, President/Treasurer