

## COMMENTS ON FINANCIAL RESULTS AND FORECAST FOR THE FULL YEAR 2008

### JULY 31, 2008

Owners, please find attached the financial results as of July 31, 2008 or nine months into the current fiscal year. As usual this statement includes the cumulative results compared to the budget after 9 months and a series of forecasts for the total year compared to the budget for the year. It also shows the previous two total-year forecasts for reference in order to see the evolution over three forecasts.

These forecasts are produced on a monthly basis in order to determine our total year expectation. As you can see these forecasts change from month to month. As soon as we have a change in trend or a management decision to allocate funds to a different type of expense, or due to an emergency, the forecast is then updated. There is limited change in the July forecast compared to previous forecasts with the exception of when we near the year end. We do not require a contingency reserve, as the expenses are allocated to the proper accounts when incurred.

We are faced with a limited number of corrections after the fact. The General Ledger would have been cut by close to 30 pages compared to the previous year's General Ledger. The processes are in place in the Office and they are updated when required. Thanks to Daniel, Stacey and Elissa for their attention to the details on a daily basis, it pays off when analysis time comes, and also facilitates the work load for Barry and Co.

### 1. BALANCE SHEET

The balance is now easier to read compared to the last year's end. Funding of the reserve is done on a monthly basis; non-necessary bank accounts are now closed except Desjardins Bank that cannot be closed due to the loan for the shutters. As soon as the shutters debt is paid, then it will be closed. No payments are issued out of that account. This month we transferred \$4,785.00 to the reserve account from the current year's special assessment. The remaining balance will be transferred as soon as collected from the delinquent owners, a balance of \$6,215.00.

From the reserve accounts we have used \$3,700.00 to pay for the cement slabs at the retention pond, \$17,657.20 for the sprinklers, and will be using about \$30,000.00 for the painting program. Some funding will go for the asphalt -- amount yet to be determined.

As mentioned in the June report, the remaining difficulty with the balance sheet is the working capital situation. Back in the early days of Waterside, the original owners contributed a total of \$78,040.00 under a special assessment at that time. These funds were used in 2005, 2006 and 2007, and we need to re-create this working capital balance in order to minimize our borrowing need. This situation will be discussed with the new budget preparation and a recommendation will be tabled.

## **2. PROFIT AND LOSS**

### **2.1. REVENUE**

On the revenue side of the financial result, we are within budget with limited variance on each component. We can see a reduction in the level of sales activities, and the summer showed fewer numbers of different occupants at the Village.

The interest income is now producing greater revenue and should continue to do so in the future. We now have a money market account for the reserve account. All revenue accounts are recorded when billed to an owner, not when it is collected from the owners. Since we cannot spend what is not collected, we needed to create a reserve for bad debt on owners' dues. (At the last budget meeting an owner had asked about this, so a bad-debt forecast will be now part of the 2008/2009 future budgetary exercise.)

### **2.2. EXPENSES**

#### **2.2.1. TREND REVISED DOWNWARD**

We reviewed a downward trend on legal costs from \$26,000 to \$24,000 but close to \$8,000 of that forecast really belong to the previous year. We limited our use of legal services, and contact with the legal firm needs an authorization from the President.

We also reduced the trend on propane gas from \$36,000. to \$35,000 and we continue to closely monitor this cost item. Our Manager, Daniel will obtain estimates for a different approach (the installation of thermo pumps) in time for the next budget or even sooner, depending on the return on investment value. Your Board will make a decision on this expenditure, as we have some reserve under the pools heading.

As we are getting close to year's end the need for a contingency forecast is less required. We assign expenses to a specific budget and since for the first time we forecasted a reserve for bad debt, we reduced the contingency amount from \$1,000.00 to nil. Electrical expenses were also reduced from \$6,000 to \$5,000, and a series of other expenses were also reduced.

#### **2.2.2. TREND REVISED UPWARD**

We have increased our forecast for bad debt to \$18,000.00. This is a first for Waterside to forecast a loss on regular or special assessments. We will discuss with our Auditor the accounting treatment required when a special assessment is not collected. The various type of assessments (except the shutter) are recorded as revenue on a monthly basis and gives the impression that these funds are available for expenses, which is not the case, unless actually collected. We did also increase the pool supply and maintenance by a further \$1,000 to bring the total expected cost for the year to \$11,000.

We did increase the cost of the postal station by a further \$1,000.00 to \$36,000. We are now finalizing the agreement with a contractor, the postal authorities, and the Town of Hypoluxo for the permit.

Work should be ongoing from September 15 for about a month. We suggest you follow the progress reports on our web site where we will publish information and photos of the project. Engineering and architectural fees, local and construction permits have cost \$4,000.00 without the first nail being used.

Security guard cost was increased by \$1,000.00 due to extra guard time, required when the gate was not functional. Insurance cost was also increased by \$850.00 to record half of the final invoice for the wind insurance. Pool repairs were increased by \$2,000. And major expenses would be planned for next year's budget.

### **3. TOTAL RESULT**

We are still maintaining a positive result for the year of over \$6,000.00. The ultimate objective of the Association is to be on a break-even position for cash-required elements. We are also benefitting from the expenses reduction that continue to take place daily since January, and those savings are invested on items that will reduce cost in the future or improve the quality of our investment at Waterside.

If you have any questions on this report, please ask them under the official website of Waterside's Message Board under the heading "Ask the President" and we will be pleased to answer all of them.

On behalf of the Board of Directors,

Andre Mongrain, President.

**WATERSIDE FINANCIAL RESULT**  
**FORECAST FOR THE YEAR**  
**AS OF JULY 31,2008**

<u>DESCRIPTION</u>	<u>YTD 07/08</u>	<u>YTD 07/08</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>MONTHLY</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>BUDGET</u>	<u>VAR.</u>	<u>COST</u>
<b><u>REVENUE</u></b>								
NSF FEE	305	0	305	305	305	0	305	
100 ASSESSMENTS **	940,275	942,000	1,255,000	1,255,000	1,255,000	1,256,000	-1,000	275
102 LATE FEE INCOME	3,330	2,250	2,000	2,000	3,000	3,000	0	
103 INTEREST INCOME	2,114	1,500	1,500	3,200	3,200	2,000	1,200	
104 ESTOPPEL FEE	5,650	2,250	6,000	6,000	6,000	3,000	3,000	
105 REGISTRATION & PARKING	5,500	15,000	5,500	5,500	5,500	20,000	-14,500	
106 ACCESS/GATE CARDS	420	750	800	700	500	1,000	-500	
107 TRANSFER/SCREENING FEE	16,650	7,125	17,000	19,000	19,000	9,500	9,500	
108 MISCELLANEOUS INCOME	2,411	750	3,500	2,600	2,600	1,000	1,600	
BEGIN DIFF. & MISPOSTING	0	0	0	0	0	0	0	
<b>TOTAL REVENUE</b>	<b>976,655</b>	<b>971,625</b>	<b>1,291,605</b>	<b>1,294,305</b>	<b>1,295,105</b>	<b>1,295,500</b>	<b>-395</b>	<b>282.73</b>
<b><u>EXPENSES</u></b>								
<b><u>UTILITIES</u></b>								
200 ELECTRIC	34,482	30,000	46,000	46,000	45,500	40,000	5,500	9.12
201 WATER & SEWER	113,530	112,500	151,000	146,500	146,500	150,000	-3,500	30.41
202 GARBAGE & RECYCLING	20,156	19,500	26,000	26,000	26,500	26,000	500	5.27
203 PROPANE GAS	30,837	26,250	39,000	36,000	35,000	35,000	0	7.09
204 CABLE T.V.	46,539	48,750	59,000	59,500	59,500	65,000	-5,500	12.17
205 TELEPHONE	7,689	7,500	8,500	9,000	9,500	10,000	-500	1.82
	<b>253,233</b>	<b>244,500</b>	<b>329,500</b>	<b>323,000</b>	<b>322,500</b>	<b>326,000</b>	<b>-3,500</b>	<b>65.89</b>

<u>DESCRIPTION</u>	<u>YTD 07/08</u>	<u>YTD 07/08</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>MONTHLY</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>BUDGET</u>	<u>VAR.</u>	<u>COST</u>
<b><u>ADMINISTRATIVE</u></b>								
300 PAYROLL-ADMINISTRATIVE	100,067	86,250	127,000	125,000	126,000	115,000	11,000	25.14
301 PAYROLL-MAINTENANCE	54,543	73,500	71,000	70,000	70,000	98,000	-28,000	15.58
302 PAYROLL TAXES	14,144	15,750	21,000	19,000	18,500	21,000	-2,500	4.26
302.1 EMPLOYEE BENEFITS	12,226	14,400	13,000	14,900	14,900	19,200	-4,300	3.65
303 PAYROLL SERVICE FEES	2,687	2,925	3,700	3,600	3,600	3,900	-300	0.77
304 SECURITY GUARDS	36,367	39,375	49,500	49,500	50,500	52,500	-2,000	10.24
305 ACCOUNTING	18,520	19,500	26,000	25,500	25,500	26,000	-500	5.27
305.1 BANK FEES	431	2,250	1,500	1,000	1,000	3,000	-2,000	0.30
305.2 BAD DEBT	0	0	16,000	17,000	18,000	0	18,000	2.83
306 AUDITING	4,200	3,188	4,200	4,200	4,200	4,250	-50	0.85
307 LEGAL	21,716	7,500	26,000	26,000	24,000	10,000	14,000	4.87
308 PROPERTY TAX	2,292	1,875	2,300	2,300	2,300	2,500	-200	0.47
309 INCOME TAX	361	0	400	400	400	0	400	0.11
310 INSURANCE	213,256	216,449	284,000	284,000	284,850	288,600	-3,750	58.53
311 OFFICE SUPPLIES	4,771	6,375	7,000	6,800	6,800	8,500	-1,700	1.56
312 POSTAGE & SHIPPING	2,640	2,625	3,750	3,750	3,750	3,500	250	0.71
313 LICENSES	2,484	1,500	2,500	2,500	2,500	2,000	500	0.40
314 TRAVEL & MILEAGE	298	375	250	350	350	500	-150	0.08
315 MEETINGS & EDUCATION	275	750	500	500	275	1,000	-725	0.10
316 SCREENING	4,937	1,125	5,000	5,500	5,700	1,500	4,200	0.81
317 ALARM SYSTEM	239	375	500	500	500	500	0	0.10
318 COMPUTER REPAIR/SERVICE	1,434	1,800	2,700	2,400	2,400	2,400	0	0.60
319 COPIER	3,410	5,625	5,000	4,500	4,500	7,500	-3,000	1.21
320 MISCELLANEOUS ADMIN.EXP.	3,498	2,100	3,500	3,500	4,200	2,800	1,400	0.48
HURRICANE EXPENSE	0	0	0	0	0	0	0	0
	<b>504,796</b>	<b>505,612</b>	<b>676,300</b>	<b>672,700</b>	<b>674,725</b>	<b>674,150</b>	<b>575</b>	<b>138.91</b>

<u>DESCRIPTION</u>	<u>YTD 07/08</u> <u>ACTUAL</u>	<u>YTD 07/08</u> <u>BUDGET</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>Y 07/08</u> <u>BUDGET</u>	<u>Y 07/08</u> <u>VAR.</u>	<u>MONTHLY</u> <u>COST</u>
			<u>Y 07/08</u> <u>FORECAST</u>	<u>Y 07/08</u> <u>FORECAST</u>	<u>Y 07/08</u> <u>FORECAST</u>			
<b><u>MAINTENANCE</u></b>								
400 GASOLINE	733	1,500	1,000	1,000	1,000	2,000	-1,000	0.24
401 SPRINKLERS	9,959	4,500	10,000	10,000	11,000	6,000	5,000	1.42
402 PEST CONTROL	17,046	15,000	19,000	20,000	20,000	20,000	0	4.05
402.6 MISC. MAINT.EXP.	224	1,500	750	500	500	2,000	-1,500	0.20
403 LANDSCAPING	99,285	97,500	127,000	127,000	128,000	130,000	-2,000	26.35
404 TREE TRIMING	10,991	3,750	10,991	10,991	10,991	5,000	5,991	1.01
404.1 NEW TREES & BUSHES	430	7,500	1,000	1,000	1,000	10,000	-9,000	0.61
405 BUILDING MAINTENANCE	10,729	9,375	15,000	15,000	15,000	12,500	2,500	2.43
406 GROUNDS MAINTENANCE	1,638	2,250	3,000	5,000	6,000	3,000	3,000	0.60
407 SECURITY GATE EXPENSE	7,895	4,500	9,500	10,000	10,000	6,000	4,000	1.22
408 CAMERA & VIDEO EXP.	1,788	2,250	2,000	2,000	2,500	3,000	-500	0.40
409 PLUMBING EXP.	636	750	1,000	1,000	1,000	1,000	0	0.10
410 ELECTRICAL EXP.	3,385	3,750	6,000	6,000	5,000	5,000	0	1.22
411 POOL SUPPLIES & REPAIR	10,871	3,750	9,000	10,000	12,000	5,000	7,000	1.22
412 STREET MAINTENANCE	114	750	1,000	1,000	1,000	1,000	0	0.20
413 UNIFORMS	0	375	250	250	250	500	-250	0.05
414 GOLF CARTS	1,885	750	1,800	2,000	2,200	1,000	1,200	0.31
415 LOCKSMITH	127	750	400	400	400	1,000	-600	0.10
416 FIRE SAFETY	5,301	3,750	3,000	5,301	5,301	5,000	301	0.61
417 JANITORIAL SUPPLIES	1,744	750	2,000	2,400	2,400	1,000	1,400	0.31
POSTAL STATION	2,921	26,625	25,000	35,000	36,000	35,500	500	3.04
	<b>187,702</b>	<b>191,625</b>	<b>248,691</b>	<b>265,842</b>	<b>271,542</b>	<b>255,500</b>	<b>16,042</b>	<b>45.71</b>
450 CONTINGENCY	896	14,136	5,000	1,000	0	18,850	-18,850	3.82
476 INTEREST EXPENSE	16,054	15,750	22,000	20,000	20,000	21,000	-1,000	4.46
	<b>16,950</b>	<b>29,886</b>	<b>27,000</b>	<b>21,000</b>	<b>20,000</b>	<b>39,850</b>	<b>-19,850</b>	<b>8.28</b>
<b><u>GRAND TOTAL EXPENSES</u></b>	<b>962,681</b>	<b>971,625</b>	<b>1,281,491</b>	<b>1,282,542</b>	<b>1,288,767</b>	<b>1,295,500</b>	<b>-6,733</b>	
<b><u>NET INCOME (LOSS)</u></b>	<b>13,974</b>	<b>0</b>	<b>10,114</b>	<b>11,763</b>	<b>6,338</b>	<b>0</b>	<b>6,338</b>	

<u>DESCRIPTION</u>	<u>YTD 07/08</u>	<u>YTD 07/08</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>MONTHLY</u>
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>Y 07/08</u>	<u>BUDGET</u>	<u>VAR.</u>	<u>COST</u>
<b><u>RESERVES</u></b>								
ROOFS	18,750	18,750	25,000	25,000	25,000	25,000	0	5.07
PAINTING	3,750	3,750	5,000	5,000	5,000	5,000	0	1.01
ASPHALT	5,250	5,250	7,000	7,000	7,000	7,000	0	1.42
POOLS	21,000	21,000	28,000	28,000	28,000	28,000	0	5.68
AWNINGS	3,750	3,750	5,000	5,000	5,000	5,000	0	1.01
SPRINKLERS	22,500	22,500	30,000	30,000	30,000	30,000	0	6.08
							0	
	<b>75,000</b>	<b>75,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>0</b>	<b>20.27</b>

**2007/2008 SPEC.ASSESSMENT**

277,425

<b><u>DEBT REIMBURSEMENT</u></b>	<b>205,500</b>	<b>205,500</b>	<b>205,500</b>	<b>205,500</b>	<b>205,500</b>	<b>205,500</b>	<b>0</b>
<b><u>FUNDING OF RESERVE</u></b>	<b>65,710</b>	<b>71,925</b>	<b>65,710</b>	<b>65,710</b>	<b>65,710</b>	<b>71,925</b>	<b>-6,215</b>

**Prepare**

24-Aug-08

\*\* Excluding contribution to the reserve account.

## **COMMENTS ON THE OWNERS RECEIVABLE AS OF THE END OF JULY 2008**

Please refer to the accounting report that supports this summary of the receivables position as of the end of July 2008. This month we can see a reduction in the number of owners that are late in their payment; it is down to 18, but this is not the number we bring to the bank. We have experienced deterioration in the dollar figure from \$42,069 to \$43,565.00 and that is what counts for our bank. The fact that the receivable balance exists, creates quite a task not only on cash management, but it does prevent the execution of some projects and also creates additional work for the office personnel. You have to remember that for the first time, in 2008, we will create a reserve for bad debt, and this is equivalent to money that cannot be spent on planned or required projects.

Owners that do not pay their share of the costs penalize the whole community in its planning and development and create an additional burden on the good paying owners.

On top of the regular assessment, special assessment and the remaining receivables for the shutters, we have also billed 37 owners to cover the cost of a settlement with a contractor related to windows installation. Four (4) of those owners have not paid their bills so far (\$107.80 each). We mentioned last month that we have the right to publish the names of owners that have a past due balance as long as the information is only distributed to owners. For those 4 and the 18 that made the list this month, this may be a "last call", PLEASE PAY YOUR DUE.

Four units are in legal process, and three in foreclosure. Office personnel and the president contacted the owners, which resulted in the Administration receiving a substantial payment from one in legal. We have not received any payments this month from the accounts that are under foreclosure. It is hard to understand that some of the legal cases cannot even make a token payment toward their association. We do not ask for much --- just a good gesture would be appreciated.

Due to the lack of performance from the current firm involved with our collection, we will assign a couple of situations to a different firm this month and see what they can do to help the Association. Daniel has been mandated to search for a different firm.

We want to thank Stacey and Daniel for their continuous efforts. The success comes with consistency in following up with specific situations. All owners that have a credit balance in the month of July will be receiving a detailed statement of their balance, so they will be in a position to reconcile with their own records. If you feel that the balance is not exact, please communicate with Stacey at the Waterside office.

Again, to the owners that are on a prepaid payment practice, those who use a preauthorized bank payment, or those that pay in due time on a monthly basis, we say " THANKS." To the others we hope that you will make a special effort this month.

For your Board of Directors, Andre Mongrain, President



**WATERSIDE ACCOUNTS RECEIVABLE BALANCE**

**TOTAL # OF OWNERS BROKEN DOWN BETWEEN LEGAL SITUATION AND REGULAR PAST DUE**

**AS OF JANUARY 31, 2008**

<u>TYPE</u>	<u># OF OWNERS</u>	<u>\$600.00 assessment</u>	<u>\$675.00 assessment</u>	<u>late fee</u>	<u>regular assessment</u>	<u>shutter</u>	<u>total</u>	<u>RESERVE BAD DEBT</u>
LEGAL	7	3,000	4,725	1,795	21,288	2,250	33,058	
REGULAR	26	600	12,075	1,641	3,600	1,525	19,441	
	33	<b>3,600</b>	<b>16,800</b>	<b>3,436</b>	<b>24,888</b>	<b>3,775</b>	<b>52,499</b>	
	#	6	26					

**AS OF FEBRUARY 29, 2008**

LEGAL	6	3,000	4,050	1,605	21,123	1,980	31,758	
REGULAR	27	0	9,845	2,145	8,155	2,075	22,220	
	33	<b>3,000</b>	<b>13,895</b>	<b>3,750</b>	<b>29,278</b>	<b>4,055</b>	<b>53,978</b>	
	#	5	21					

**AS OF MARCH 31, 2008**

LEGAL	6	2,400	4,050	1,250	21,463	1,980	31,143	
REGULAR	23	0	6,745	2,235	8,950	1,860	19,790	
	29	<b>2,400</b>	<b>10,795</b>	<b>3,485</b>	<b>30,413</b>	<b>3,840</b>	<b>50,933</b>	
	#	4	16					

**AS OF APRIL 30, 2008**

LEGAL	4	2,400	2,700	1,005	15,940	1,350	23,395	9,920
4CLOSURE	2	0	1,350	415	3,500	1,090	6,355	3,055
REGULAR	14	0	3,425	1,020	3,350	1,340	9,135	0
	20	<b>2,400</b>	<b>7,475</b>	<b>2,440</b>	<b>22,790</b>	<b>3,780</b>	<b>38,885</b>	<b>12,975</b>
	#	4	11					

**AS OF MAY 31, 2008**

LEGAL	4	2,400	2,700	1,130	16,765	1,440	24,435	10,545
4CLOSURE	3	0	2,025	640	5,175	1,270	9,110	3,745
REGULAR	11	0	1,490	660	2,015	1,610	5,775	0
	18	<b>2,400</b>	<b>6,215</b>	<b>2,430</b>	<b>23,955</b>	<b>4,320</b>	<b>39,320</b>	<b>14,290</b>
	#	4	9					

**AS OF JUNE 30, 2008**

LEGAL	4	2,400	2,700	1,255	17,835	1,530	25,720	11,120
4CLOSURE	3	0	2,025	715	5,300	1,450	9,490	4,540
REGULAR	14	0	1,490	985	2,234	2,150	6,859	0
	21	<b>2,400</b>	<b>6,215</b>	<b>2,955</b>	<b>25,369</b>	<b>5,130</b>	<b>42,069</b>	<b>15,660</b>
	#	4	9					

**AS OF JULY 31, 2008**

<u>TYPE</u>	<u># OF OWNERS</u>	<u>\$600.00 assessment</u>	<u>\$675.00 assessment</u>	<u>late fee</u>	<u>regular assessment</u>	<u>shutter</u>	<u>total</u>	<u>RESERVE BAD DEBT</u>
LEGAL	4	2,400	2,700	980	17,965	1,620	25,665	11,065
4CLOSURE	3	0	2,025	840	6,125	1,630	10,620	5,670
REGULAR	11	0	1,415	1,060	2,345	2,460	7,280	0
	18	<b>2,400</b>	<b>6,140</b>	<b>2,880</b>	<b>26,435</b>	<b>5,710</b>	<b>43,565</b>	<b>16,735</b>
	#	4	9					