

MARC LABOSSIERE, P.A.
1222 NE 4TH AVENUE
FORT LAUDERDALE, FLORIDA 33304
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Unit Owners
Waterside Village of Palm Beach Condominium Association, Inc.

We have audited the accompanying balance sheets of Waterside Village of Palm Beach Condominium Association, Inc. as of October 31, 2007 & 2008, and the related statements of revenues, expenses, changes in fund balances, and cash flows for the years ending October 31, 2007 & 2008. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Waterside Village of Palm Beach Condominium Association, Inc. as of October 31, 2007 & 2008, and the results of its operations and its cash flows for the years ending October 31, 2007 & 2008 in conformity with generally accepted accounting principles.

The supplementary information on future major repairs and replacements as required by the American Institute of Certified Public Accountants are not a required statement of the basic financial statements. We have compiled these schedules without audit or review from information that is the representation of management. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Marc Labossiere PA

Marc Labossiere, P.A.
January 15, 2009

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

As of October 31, 2007 & 2008

| ASSETS | 10/2007 | | | 10/2008 | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>OPERATING FUND</u> | <u>RESTRICTED FUND</u> | <u>TOTAL</u> | <u>OPERATING FUND</u> | <u>RESTRICTED FUND</u> | <u>TOTAL</u> |
| Cash in Banks | \$ 99,793 | \$ 94,842 | \$ 194,635 | \$ 57,744 | \$ 51,900 | \$ 109,644 |
| Certificate of Deposit | -0- | | -0- | -0- | 150,000 | 150,000 |
| Assessments Receivable | 34,971 | | 34,971 | 57,665 | | 57,665 |
| Less: Provision for Bad Debts | (5,425) | | (5,425) | (29,590) | | (29,590) |
| Due To/From Fund | (63,963) | 63,963 | -0- | (4,972) | 4,972 | -0- |
| Shutters Special Assessments Receivable | 264,600 | | 264,600 | 128,610 | | 128,610 |
| Prepaid Expenses | 142,409 | | 142,409 | 139,807 | | 139,807 |
| Deposits | 910 | | 910 | 2,235 | | 2,235 |
| Property and equipment – net of accumulated depreciation of \$ 266,573 | | | | | | |
| | <u>128,487</u> | <u>.....</u> | <u>128,487</u> | <u>111,791</u> | <u>.....</u> | <u>111,791</u> |
| TOTAL ASSETS | <u>\$ 601,782</u> | <u>\$ 158,805</u> | <u>\$ 760,587</u> | <u>\$ 463,290</u> | <u>\$ 206,872</u> | <u>\$ 670,162</u> |
| <u>LIABILITIES & FUND BALANCES</u> | | | | | | |
| Bank Line of Credit | \$ 434,558 | | \$ 434,558 | \$ 97,292 | | \$ 97,292 |
| Accounts Payable & Accrued Liabilities | 68,663 | | 68,663 | 75,735 | | 75,735 |
| Loans Payable | 66,076 | | 66,076 | 78,637 | | 78,637 |
| Prepaid Maintenance Assessments | 77,560 | | 77,560 | 35,366 | | 35,366 |
| Prepaid 2008 Special Assessments | 21,600 | | 21,600 | -0- | | -0- |
| Rental Deposits | <u>15,000</u> | <u>.....</u> | <u>15,000</u> | <u>-0-</u> | <u>.....</u> | <u>-0-</u> |
| Total Liabilities | 683,457 | 0 | 683,457 | 287,030 | 0 | 287,030 |
| FUND BALANCES | <u>(81,675)</u> | <u>158,805</u> | <u>77,130</u> | <u>176,260</u> | <u>206,872</u> | <u>383,132</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 601,782</u> | <u>\$ 158,805</u> | <u>\$ 760,587</u> | <u>\$ 463,290</u> | <u>\$ 206,872</u> | <u>\$ 670,162</u> |

READ INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES
FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

| <u>REVENUE</u> | 10/2007 | | | 10/2008 | | |
|--|---------------------------|----------------------------|-------------------------|---------------------------|----------------------------|--------------------------|
| | <u>OPERATING FUND</u> | <u>RESTRICTED FUND</u> | <u>TOTAL</u> | <u>OPERATING FUND</u> | <u>RESTRICTED FUND</u> | <u>TOTAL</u> |
| Maintenance Assessments | \$ 1,178,428 | \$ 54,672 | \$ 1,233,100 | \$ 1,254,350 | 100,000 | \$ 1,354,350 |
| User Fees | 19,535 | | 19,535 | 22,575 | | 22,575 |
| Interest Income | 5,263 | | 5,263 | 390 | 2,890 | 3,280 |
| Late Fees | 4,920 | | 4,920 | 5,530 | | 5,530 |
| Special Assessment | -0- | | -0- | 277,425 | | 277,425 |
| Special Assessment – Insurance & Restricted Fund | 176,700 | 69,900 | 246,600 | -0- | | -0- |
| Other Revenues | <u>11,846</u> | <u>.....</u> | <u>11,846</u> | <u>17,746</u> | <u>-0-</u> | <u>17,746</u> |
| TOTAL REVENUES | <u>1,396,692</u> | <u>124,572</u> | <u>1,521,264</u> | <u>1,578,016</u> | <u>102,890</u> | <u>1,680,906</u> |
| <u>EXPENSES</u> | | | | | | |
| Salaries and Benefits | 270,120 | | 270,120 | 228,124 | | 228,124 |
| Water & Sewer | 144,576 | | 144,576 | 148,158 | | 148,158 |
| Insurance | 280,421 | | 280,421 | 283,936 | | 283,936 |
| Cable Television | 55,926 | | 55,926 | 60,204 | | 60,204 |
| Repairs, Maintenance and Supplies | 51,245 | | 51,245 | 67,607 | | 67,607 |
| Electric and Gas Utilities | 62,373 | | 62,373 | 76,367 | | 76,367 |
| Depreciation Expenses | 18,458 | | 18,458 | 16,696 | | 16,696 |
| Trash Collection | 26,462 | | 26,462 | 26,018 | | 26,018 |
| Grounds Maintenance, Landscaping and Supplies | 127,196 | | 127,196 | 149,143 | | 149,143 |
| Professional Fees | 65,822 | | 65,822 | 48,332 | | 48,332 |
| Pest Control | 21,919 | | 21,919 | 21,546 | | 21,546 |
| Office Expenses and Supplies | 26,842 | | 26,842 | 17,506 | | 17,506 |
| Pool Maintenance and Supplies | 16,665 | | 16,665 | 13,323 | | 13,323 |
| Telephone | 10,732 | | 10,732 | 9,616 | | 9,616 |
| Licenses, Taxes and Fees | 4,039 | | 4,039 | 3,227 | | 3,227 |
| Travel | 316 | | 316 | 534 | | 534 |
| Other | 319 | | 319 | 604 | | 604 |
| Interest and Bank Charges | 48,984 | | 48,984 | 19,602 | | 19,602 |
| Security | 66,997 | | 66,997 | 48,920 | | 48,920 |
| Special Assessment- Shutter Expenses | 1,080 | | 1,080 | 4,840 | | 4,840 |
| Screening Fees | 2,542 | | 2,542 | 6,646 | | 6,646 |
| Special Assessment- Hurricane Expenses | 675 | | 675 | -0- | | -0- |
| Pool Equipment | 7,863 | | 7,863 | -0- | | -0- |
| Bad Debts | 5,425 | | 5,425 | 27,615 | | 27,615 |
| Postal Station | -0- | | -0- | 41,517 | | 41,517 |
| Roofing | -0- | | -0- | -0- | 550 | 550 |
| Streets | -0- | | -0- | -0- | 3,700 | 3,700 |
| Gates | 37,577 | | 37,577 | -0- | | -0- |
| Painting | -0- | 61,077 | 61,077 | -0- | 29,967 | 29,967 |
| Awnings | 43,878 | -0- | 43,878 | -0- | | -0- |
| Sprinklers | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>20,606</u> | <u>20,606</u> |
| TOTAL EXPENSES | <u>1,398,452</u> | <u>61,077</u> | <u>1,459,529</u> | <u>1,320,081</u> | <u>54,823</u> | <u>1,374,904</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | (1,760) | 63,495 | 61,735 | 257,935 | 48,067 | 306,002 |
| Correction of Errors/ Prior Period Adjustments | <u>36,175</u> | <u>-0-</u> | <u>36,175</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| EXCESS(DEFICIENCY) OF REVENUES OVER EXPENSES | <u>\$ 34,415</u> | <u>\$ 63,495</u> | <u>\$ 97,910</u> | <u>\$ 257,935</u> | <u>\$ 48,067</u> | <u>\$ 306,002</u> |

READ INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
 STATEMENT OF CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

10/2007

| | <u>OPERATING</u> <u>FUND</u> | <u>REPLACEMENT</u> <u>FUND</u> | <u>CONTRIBUTED</u> <u>CAPITAL</u> | <u>TOTAL</u> |
|--|---------------------------------|-----------------------------------|--------------------------------------|------------------|
| FUND BALANCE BEGINNING | \$ (194,130) | \$ 95,310 | \$ 78,040 | \$ (20,780) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>34,415</u> | <u>63,495</u> | <u>-0-</u> | <u>97,910</u> |
| FUND BALANCE ENDING | <u>\$ (159,715)</u> | <u>\$ 158,805</u> | <u>\$ 78,040</u> | <u>\$ 77,130</u> |

10/2008

| | <u>OPERATING</u> <u>FUND</u> | <u>REPLACEMENT</u> <u>FUND</u> | <u>CONTRIBUTED</u> <u>CAPITAL</u> | <u>TOTAL</u> |
|--|---------------------------------|-----------------------------------|--------------------------------------|-------------------|
| FUND BALANCE BEGINNING | \$ (159,715) | \$ 158,805 | \$ 78,040 | \$ 77,130 |
| ADJUSTMENT | 78,040 | -0- | (78,040) | -0- |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>257,935</u> | <u>48,067</u> | <u>-0-</u> | <u>306,002</u> |
| FUND BALANCE ENDING | <u>\$ 176,260</u> | <u>\$ 206,872</u> | <u>\$ -0-</u> | <u>\$ 383,132</u> |

READ INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
 STATEMENT OF CASH FLOWS
 FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

| | 10/2007 | | | 10/2008 | | |
|--|---------------------------------|----------------------------------|-------------------|---------------------------------|----------------------------------|-------------------|
| | <u>OPERATING</u> <u>FUND</u> | <u>RESTRICTED</u> <u>FUND</u> | <u>TOTAL</u> | <u>OPERATING</u> <u>FUND</u> | <u>RESTRICTED</u> <u>FUND</u> | <u>TOTAL</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| SOURCES OF CASH: | | | | | | |
| Maintenance Assessments | \$ 1,188,481 | \$ 54,672 | \$ 1,243,143 | \$ 1,189,462 | \$ 100,000 | \$ 1,289,462 |
| User Fees | 19,535 | | 19,535 | 22,575 | | 22,575 |
| Interest Income | 5,263 | | 5,263 | 390 | 2,890 | 3,280 |
| Late Fees | 4,920 | | 4,920 | 5,530 | | 5,530 |
| Special Assessment | -0- | | -0- | 277,425 | | 277,425 |
| Special Assessment- Hurricane | 46,532 | | 46,532 | -0- | | -0- |
| Special Assessment – Insurance & Restricted Fund | 176,700 | 69,900 | 246,600 | -0- | | -0- |
| Deferred Special Assessment - 2008 | 21,600 | | 21,600 | 255,825 | | 255,825 |
| Special Assessment – Shutters | 148,420 | | 148,420 | 135,990 | | 135,990 |
| Other Income | 11,846 | | 11,846 | 17,746 | | 17,746 |
| Prior period Adjustments/ corrections | <u>36,175</u> | <u>.....</u> | <u>36,175</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| TOTAL SOURCES OF CASH | <u>1,659,472</u> | <u>124,572</u> | <u>1,784,044</u> | <u>1,904,943</u> | <u>102,890</u> | <u>2,007,833</u> |
| USES OF CASH: | | | | | | |
| Expenses Paid | <u>1,953,665</u> | <u>61,077</u> | <u>2,014,742</u> | <u>1,563,296</u> | <u>54,823</u> | <u>1,618,119</u> |
| TOTAL USES OF CASH | <u>1,953,665</u> | <u>61,077</u> | <u>2,014,742</u> | <u>1,563,296</u> | <u>54,823</u> | <u>1,618,119</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(294,193)</u> | <u>63,495</u> | <u>(230,698)</u> | <u>341,647</u> | <u>48,067</u> | <u>389,714</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | | |
| Increase (Decrease) in bank line of credit | 189,770 | -0- | 189,770 | (337,266) | -0- | (337,266) |
| Increase (Decrease) in loans payable | (147,603) | -0- | (147,603) | 12,561 | -0- | 12,561 |
| Interfund | <u>110,460</u> | <u>(110,460)</u> | <u>-0-</u> | <u>(58,991)</u> | <u>58,991</u> | <u>-0-</u> |
| NET CASH FROM FINANCING ACTIVITIES | <u>152,627</u> | <u>(110,460)</u> | <u>42,167</u> | <u>(383,696)</u> | <u>58,991</u> | <u>(324,705)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| (Increase) Decrease in certificate of deposit | <u>-0-</u> | <u>106,974</u> | <u>106,974</u> | <u>-0-</u> | <u>(150,000)</u> | <u>(150,000)</u> |
| NET CASH FROM INVESTING ACTIVITIES | <u>-0-</u> | <u>106,974</u> | <u>106,974</u> | <u>-0-</u> | <u>(150,000)</u> | <u>(150,000)</u> |
| NET INCREASE (DECREASE) IN CASH | (141,566) | 60,009 | (81,557) | (42,049) | (42,942) | (84,991) |
| CASH BEGINNING BALANCE | <u>241,359</u> | <u>34,833</u> | <u>276,192</u> | <u>99,793</u> | <u>94,842</u> | <u>194,635</u> |
| CASH ENDING BALANCE | <u>\$ 99,793</u> | <u>\$ 94,842</u> | <u>\$ 194,635</u> | <u>\$ 57,744</u> | <u>\$ 51,900</u> | <u>\$ 109,644</u> |

READ INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

| | 10/2007 | | | 10/2008 | | |
|--|---------------------------------|----------------------------------|---------------------|---------------------------------|----------------------------------|-------------------|
| | <u>OPERATING</u> <u>FUND</u> | <u>RESTRICTED</u> <u>FUND</u> | <u>TOTAL</u> | <u>OPERATING</u> <u>FUND</u> | <u>RESTRICTED</u> <u>FUND</u> | <u>TOTAL</u> |
| RECONCILIATION OF EXCESS REVENUE TO CASH FROM OPERATING ACTIVITIES: | | | | | | |
| Excess (Deficiency) of Revenues over expenses | \$ 34,415 | \$ 63,495 | \$ 97,910 | \$ 257,935 | \$ 48,067 | \$ 306,002 |
| Adjustments to Reconcile Excess of Revenue to Net Cash Provided by Operating Activities: | | | | | | |
| Depreciation expenses | 18,458 | | 18,458 | 16,696 | | 16,696 |
| Increase in Maintenance Assessments receivable | (10,236) | | (10,236) | (22,694) | | (22,694) |
| (Increase) Decrease in shutter assessment receivable | 148,420 | | 148,420 | 135,990 | | 135,990 |
| Decrease in hurricane assessment receivable | 46,532 | | 46,532 | -0- | | -0- |
| Increase In Provision for Bad Debts | 5,425 | | 5,425 | 24,165 | | 24,165 |
| (Increase) decrease in Deposits | -0- | | -0- | (1,325) | | (1,325) |
| Decrease (increase) in prepaid expenses | (11,305) | | (11,305) | 2,602 | | 2,602 |
| Increase (decrease) in accounts payable | (30,585) | | (30,585) | 13,922 | | 13,922 |
| Increase (decrease) in accounts payable – shutters | (541,881) | | (541,881) | -0- | | -0- |
| (Decrease) increase in prepaid maintenance assessments | 14,864 | | 14,864 | (42,194) | | (42,194) |
| Increase in Accrued Liabilities | 11,100 | | 11,100 | (6,850) | | (6,850) |
| Increase (Decrease) in Deferred Special Assessment – 2008 | 21,600 | | 21,600 | (21,600) | | (21,600) |
| Increase (decrease) in rental deposits | <u>(1,000)</u> | <u>-0-</u> | <u>(1,000)</u> | <u>(15,000)</u> | <u>-0-</u> | <u>(15,000)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ (294,193)</u> | <u>\$ 63,495</u> | <u>\$ (230,698)</u> | <u>\$ 341,647</u> | <u>\$ 48,067</u> | <u>\$ 389,714</u> |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Income Taxes \$ -0-

READ INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Waterside Village of Palm Beach Condominium Association, Inc. (the Association) was incorporated in the State of Florida as a not-for-profit corporation on September 16, 1988. The Association was formed to maintain and protect the common areas owned by the individual unit owners in common and consists of 412 units.

Basis of Presentation

The Association uses the accrual method of accounting, i.e., revenues are recognized as earned as of the date of billing and expenses are deducted in the period in which they are incurred.

The Association's financial statements use the fund method for presentation purposes. This method separates the assets, liabilities, and revenues and expenses of the operating and restricted funds (reserves). Disbursements from the operating fund are generally at the discretion of the Board of Directors whereas restricted funds may only be used for their designated purpose.

This financial statement is prepared in accordance with Florida Statute Section 718.301 (4) (c).

Cash Equivalents

For purposes of the statement of cash flows, the association considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property to which it has title. Furniture and equipment are recorded at cost. Depreciation is computed principally on the accelerated cost recovery system method over the estimated remaining useful lives of the assets which range from five to thirty one and one-half years.

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

2. MAINTENANCE ASSESSMENTS

The Association's declaration provides that each owner is chargeable for their share of common expenses based upon the budget adopted. The Association has lien rights in the event of delinquent assessments, which can be exercised through foreclosure proceedings. The Association provides an allowance for losses on receivables based on a review of the current status of existing receivables, where applicable.

3. CERTIFICATES OF DEPOSITS

At October 31, 2008 the Association's certificates of deposit consist of the following:

| <u>Description</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount</u> |
|--------------------|---|----------------------|-------------------|
| RBC Bank | 3.44% Until 4/3/09 3.68% Until 10/2/09 3.92% Until 4/2/10 4.64 Until 10/3/10 | 10/3/10 | \$ 50,000 |
| RBC Bank | 3.83% | 9/3/09 | <u>100,000</u> |
| Total | | | <u>\$ 150,000</u> |

4. DEPOSITS

As of October 31, 2008 the Association's deposits consist of amounts on deposit with utility companies to obtain electric service.

5. PROPERTY AND EQUIPMENT

As of October 31, 2008 Property and Equipment consists of the following:

| | |
|--------------------------------|-------------------|
| Condominium unit | \$ 71,101 |
| Maintenance Building | 6,701 |
| Furniture & Fixture | 915 |
| Equipment | 73,971 |
| Satellite TV System | 194,297 |
| Protection System | <u>31,379</u> |
| | 378,364 |
| Less: Accumulated Depreciation | <u>266,573</u> |
| Property and Equipment – Net | <u>\$ 111,791</u> |

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WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

Included in Equipment above is \$ 18,000 of personal property which was transferred to the Association by the developer on the date of turnover. Such property was recorded based on values provided by the developer

6. RESTRICTED FUNDS - RESERVES

Florida Statutes provide that each proposed budget include provisions for reserves for capital improvements and deferred maintenance. These accounts, if adopted, are restricted to their intended purposes unless modified by a qualified unit owner vote.

The approved budget includes provisions for reserves for capital improvements and deferred maintenance. These funds are being accumulated based on the estimates of future needs for repairs and replacements of common property components as disclosed in the supplemental information. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The balance at October 31, 2008, consists of the following:

| | <u>BEGINNING FUND BALANCE 10/31/07</u> | <u>MEMBERS' ADDITIONS</u> | <u>AMOUNTS DISBURSED</u> | <u>ENDING FUND BALANCE 10/31/08</u> |
|------------------|--|-------------------------------|------------------------------|---|
| Roofs | \$ 70,416 | \$ 25,000 | \$ 550 | \$ 94,866 |
| Painting | 47,205 | 5,000 | 29,967 | 22,238 |
| Streets | 17,705 | 7,000 | 3,700 | 21,005 |
| Pools and Spa | 12,482 | 28,000 | | 40,482 |
| Awnings | 10,849 | 5,000 | | 15,849 |
| Sprinkler s | -0- | 30,000 | 20,606 | 9,394 |
| Interest | <u>148</u> | <u>2,890</u> | | <u>3,038</u> |
| | <u>\$ 158,805</u> | <u>\$ 102,890</u> | <u>\$ 54,823</u> | <u>\$ 206,872</u> |

READ INDEPENDENT AUDITOR'S REPORT

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

7. INCOME TAXES

The Association is treated as a tax-exempt organization under section 528 of the Internal Revenue Code with respect to its operating business income. It is taxed at the usual corporate income tax rates on its non-business income such as interest earned.

8. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

9. BANK LINE OF CREDIT/ LOAN PAYABLE

Loans payable and line of credit consist of the following:

- 1) A line of credit with Desjardins Bank with a maximum credit limit of \$ 130,000 with a current variable interest rate of 5.0%. Current balance as of October 31, 2008 is \$ 97,292.
- 2) A loan payable to Banco Popular in the original amount of \$ 170,597. Fixed interest rate of 5.375%. Monthly principal and interest payments in the amount of \$ 15,929. Current balance due is \$ 78,637

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED OCTOBER 31, 2007 & 2008

10. SPECIAL ASSESSMENTS

The Association levied a special assessment in 2005 for hurricane damage sustained. They also assessed in 2006 a special assessment for the shutters. Total shutter special assessment income and expenses up to October 31, 2008 were \$ 1,121,482 and \$ 1,191,885 respectively.

The Association levied a special assessment in the amount of \$ 600 per unit for a total of \$ 246,600. Here is a breakdown of the expenses that were paid with this special assessment as of January 14, 2008:

| | |
|--------------------------------|-------------------|
| Restricted Fund Contribution | \$ 69,900 |
| Repairs Pool & Spa | 6,533 |
| Insurance Premium Funding | 40,256 |
| Repairs/Replacement of Awnings | 42,719 |
| Special Accounting Services | 20,375 |
| Gates | 37,204 |
| Pest Control | 4,540 |
| Sprinklers | 12,533 |
| Dividing Walls | 8,920 |
| Total | <u>\$ 242,980</u> |

The association levied a special assessment in the amount of \$ 675 per unit for a total of \$ 277,425. The special assessment was used to repay part of the shutter loan with Desjardins Bank and a portion of it was transferred to the replacement fund. As of October 30, 2008 \$ 205,500 was used to repay the shutters loan with Desjardins Bank and \$ 65,710 was transferred to the replacement fund.

SUPPLEMENTARY INFORMATION

SUPPLEMENTAL SCHEDULE

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS

OCTOBER 31, 2008

(Compiled)

The Association has not conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on estimates that were provided by the management. Actual expenditures may vary from these estimated amounts and the variance may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following presents significant information about the components of common property:

| <u>COMPONENTS</u> | <u>ESTIMATED REMAINING USEFUL LIVES</u> | <u>ESTIMATED REPLACEMENT COSTS</u> | <u>APPROXIMATE ANNUAL FUNDING REQUIREMENT</u> |
|-------------------|---|--|---|
| Roofs | 30 Years | \$ 800,000 | \$ 25,000 |
| Painting | 1-7 Years | 15,000 | 5,000 |
| Streets | 3 Years | 21,000 | 7,000 |
| Pools and Spas | 3-5 Years | 35,000 | 28,000 |
| Awnings | 3 Years | 45,000 | 5,000 |
| Sprinklers | 3 Years | <u>30,000</u> | <u>30,000</u> |
| | | <u>\$ 946,000</u> | <u>\$ 100,000</u> |

WATESIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.

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WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM
ASSOCIATION, INC.

FINANCIAL STATEMENTS

OCTOBER 31, 2007 & 2008

MARC LABOSSIERE PA
CERTIFIED PUBLIC ACCOUNTANTS