

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM  
ASSOCIATION, INC.

FINANCIAL STATEMENTS

OCTOBER 31, 2015 & 2016

MARC LABOSSIERE PA  
CERTIFIED PUBLIC ACCOUNTANT

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.

INDEX TO FINANCIAL STATEMENTS

OCTOBER 31, 2015 & 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Waterside Village of Palm Beach Condominium Association, Inc.

We have audited the accompanying financial statements of Waterside Village of Palm Beach Condominium Association, Inc., which comprise the balance sheets as of October 31, 2015 and October 31, 2016, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2015 and October 31, 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that a statement on Future major repairs and replacements on pages 13 & 14 be presented to supplement the basic

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financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Marc Labossiere PA*

Fort Lauderdale, Florida

January 16, 2017

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.  
 BALANCE SHEET  
 As of October 31, 2015, & 2016

ASSETS	10/2015			10/2016		
	OPERATING FUND	RESTRICTED FUND	TOTAL	OPERATING FUND	RESTRICTED FUND	TOTAL
Cash in Banks	\$ 141,634	\$ 10,691	\$ 152,325	\$ 79,992	\$ 25,586	\$ 105,578
Certificate of Deposit	-0-	760,000	760,000	-0-	660,000	660,000
Annuities	-0-		-0-	-0-	200,000	200,000
Due to/From Fund	(65)	65		(8,804)	8,804	-0-
Assessments Receivable	44,454		44,454	42,073		42,073
Less: Provision for Bad Debts	(38,804)		(38,804)	(34,424)		(34,424)
Prepaid Expenses	135,427		135,427	144,760		144,760
Deposits	2,235		2,235	2,235		2,235
Property and equipment - net of accumulated depreciation of \$ 268,313	<u>239,070</u>	<u>.....</u>	<u>239,070</u>	<u>236,402</u>	<u>.....</u>	<u>236,402</u>
<b>TOTAL ASSETS</b>	<b>\$ 523,951</b>	<b>\$ 770,756</b>	<b>\$ 1,294,707</b>	<b>\$ 462,234</b>	<b>\$ 894,390</b>	<b>\$ 1,356,624</b>
<b>LIABILITIES &amp; FUND BALANCES</b>						
Accounts Payable & Accrued Liabilities	139,265		139,265	83,557		83,557
Prepaid Maintenance Assessments	<u>47,138</u>		<u>47,138</u>	<u>42,346</u>	<u>.....</u>	<u>42,346</u>
Total Liabilities	186,403	-0-	186,403	125,903	-0-	125,903
<b>FUND BALANCES</b>	<b><u>337,548</u></b>	<b><u>770,756</u></b>	<b><u>1,108,304</u></b>	<b><u>336,331</u></b>	<b><u>894,390</u></b>	<b><u>1,230,721</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 523,951</b>	<b>\$ 770,756</b>	<b>\$ 1,294,707</b>	<b>\$ 462,234</b>	<b>\$ 894,390</b>	<b>\$ 1,356,624</b>

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, 2015 & 2016**

<u>REVENUE</u>	10/2015			10/2016		
	<u>OPERATING FUND</u>	<u>RESTRICTED FUND</u>	<u>TOTAL</u>	<u>OPERATING FUND</u>	<u>RESTRICTED FUND</u>	<u>TOTAL</u>
Maintenance Assessments	\$ 1,412,035	\$ 92,500	\$ 1,504,535	\$ 1,416,420	\$ 112,500	\$ 1,528,920
Screening Fees	29,277		29,277	25,050		25,050
Interest Income		17,140	17,140	387	11,122	11,509
Late Fees	3,140		3,140	2,925		2,925
Other Revenues	<u>5,922</u>	.....	<u>5,922</u>	<u>4,150</u>	.....	<u>4,150</u>
<b>TOTAL REVENUES</b>	<u>1,450,374</u>	<u>109,640</u>	<u>1,560,014</u>	<u>1,448,932</u>	<u>123,622</u>	<u>1,572,554</u>
 <u>EXPENSES</u>						
Salaries and Benefits	194,611		194,611	207,349		207,349
Water & Sewer	233,935		233,935	240,401		240,401
Insurance	270,467		270,467	284,184		284,184
Cable Television	62,747		62,747	72,988		72,988
Repairs, Maintenance and Supplies	75,818		75,818	77,506		77,506
Electric and Gas Utilities	48,378		48,378	46,218		46,218
Depreciation Expenses	2,668		2,668	2,668		2,668
Trash Collection	42,769		42,769	42,887		42,887
Grounds Maintenance, Landscaping and Supplies	191,441		191,441	188,699		188,699
Professional Fees	31,746		31,746	30,527		30,527
Pest Control	19,748		19,748	16,069		16,069
Office Expenses and Supplies	17,928		17,928	15,527		15,527
Pool Maintenance and Supplies	16,246		16,246	10,070		10,070
Telephone & WIFI	9,550		9,550	9,164		9,164
Licenses, Taxes and Fees	5,946		5,946	6,037		6,037
Travel	994		994	872		872
Alarm System	476		476	317		317
Interest and Bank Charges	1,136	12	1,148	1,028		1,028
Security	53,585		53,585	54,115		54,115
Social Facilities	9,289		9,289	12,363		12,363
Screening Fees	10,927		10,927	7,555		7,555
Painting Program	36,752		36,752	45,741		45,741
Bad Debts (Recovery)	(1,707)		(1,707)	89		89
Cameras & Video Equipment	2,028		2,028	8,303		8,303
Contingency	-0-		-0-	2,958		2,958
Clubhouse Improvements	15,200		15,200	2,693		2,693
Collection Costs	4,947		4,947	2,381		2,381
Street Lights	-0-		-0-	3,000		3,000
Pool Chairs & Tables	-0-		-0-	2,092		2,092
Louver	15,072		15,072	36		36
Windows	6,024		6,024	-0-		-0-
Streets	4,405		4,405	5,083		5,083
East Pool Resurfacing	175		175	-0-		-0-
Awnings	20,825		20,825	27,330		27,330
Provence Alley	5,939		5,939	3,083		3,083
East Well	17,650		17,650	10,407		10,407
Condo Doc Revisions	15,000		15,000	3,043		3,043
Sprinklers	<u>7,581</u>	<u>-0-</u>	<u>7,581</u>	<u>7,354</u>	<u>-0-</u>	<u>7,354</u>
<b>TOTAL EXPENSES</b>	<u>1,450,296</u>	<u>12</u>	<u>1,450,308</u>	<u>1,450,137</u>	<u>-0-</u>	<u>1,450,137</u>
<b>EXCESS(DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>\$ 78</u>	<u>\$ 109,628</u>	<u>\$ 109,706</u>	<u>\$ (1,205)</u>	<u>\$ 123,622</u>	<u>\$ 122,417</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, 2015 & 2016

10/2015

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
FUND BALANCE BEGINNING	\$ 337,470	\$ 661,128	\$ 998,598
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>78</u>	<u>109,628</u>	<u>109,706</u>
FUND BALANCE ENDING	\$ 337,548	\$ 770,756	\$ 1,108,304

10/2016

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
FUND BALANCE BEGINNING	\$ 337,548	\$ 770,756	\$ 1,108,304
Prior Period Adjustment	(12)	12	-0-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(1,205)</u>	<u>123,622</u>	<u>122,417</u>
FUND BALANCE ENDING	<u>\$ 336,331</u>	<u>\$ 894,390</u>	<u>\$ 1,230,721</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, 2015 & 2016

	10/2015			10/2016		
	<u>OPERATING FUND</u>	<u>RESTRICTED FUND</u>	<u>TOTAL</u>	<u>OPERATING FUND</u>	<u>RESTRICTED FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
SOURCES OF CASH:						
Maintenance Assessments	\$ 1,446,195	\$ 92,500	\$ 1,538,695	\$ 1,414,009	\$ 103,773	\$ 1,517,782
Screening Fees	29,277		29,277	25,050		25,050
Interest Income		17,075	17,075	387	11,122	11,509
Late Fees	3,140		3,140	2,925		2,925
Other Income	<u>5,922</u>	<u>.....</u>	<u>5,922</u>	<u>4,150</u>		<u>4,150</u>
TOTAL SOURCES OF CASH	<u>1,484,534</u>	<u>109,575</u>	<u>1,594,109</u>	<u>1,446,521</u>	<u>114,895</u>	<u>1,561,416</u>
USES OF CASH:						
Expenses Paid	<u>1,427,490</u>	<u>12</u>	<u>1,427,502</u>	<u>1,508,163</u>	<u>-0-</u>	<u>1,508,163</u>
TOTAL USES OF CASH	<u>1,427,490</u>	<u>12</u>	<u>1,427,151</u>	<u>1,508,163</u>	<u>-0-</u>	<u>1,508,163</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>57,044</u>	<u>109,563</u>	<u>166,607</u>	<u>(61,642)</u>	<u>114,895</u>	<u>(53,253)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
NET CASH FROM FINANCING ACTIVITIES	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Increase) Decrease in certificate of deposit/Annuities	<u>-0-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-0-</u>	<u>(100,000)</u>	<u>(100,000)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>-0-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-0-</u>	<u>(100,000)</u>	<u>(100,000)</u>
NET INCREASE (DECREASE) IN CASH	57,044	9,563	66,607	(61,642)	14,895	(46,747)
CASH BEGINNING BALANCE	<u>84,590</u>	<u>1,128</u>	<u>85,718</u>	<u>141,634</u>	<u>10,691</u>	<u>152,325</u>
CASH ENDING BALANCE	<u>\$ 141,634</u>	<u>\$ 10,691</u>	<u>\$ 152,325</u>	<u>\$ 79,992</u>	<u>\$ 25,586</u>	<u>\$ 105,578</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, 2015 & 2016

	10/2015			10/2016		
	<u>OPERATING FUND</u>	<u>RESTRICTED FUND</u>	<u>TOTAL</u>	<u>OPERATING FUND</u>	<u>RESTRICTED FUND</u>	<u>TOTAL</u>
RECONCILIATION OF EXCESS REVENUE TO CASH FROM OPERATING ACTIVITIES:						
Excess (Deficiency) of Revenues over expenses	\$ 78	\$ 109,628	\$ 109,706	\$ (1,205)	\$ 123,622	\$ 122,417
Adjustments to Reconcile Excess of Revenue to Net Cash Provided by Operating Activities:						
Depreciation expenses	2,668		2,668	2,668		2,668
(Increase) Decrease in Maintenance Assessments receivable	22,713		22,713	2,381		2,381
Increase (Decrease) In Provision for Bad Debts	(21,007)		(21,007)	(4,380)		(4,380)
Due to/from Fund	65	(65)	-0-	8,739	(8,739)	-0-
Prior Period Adjustment				(12)	12	-0-
Decrease (increase) in prepaid expenses	(3,678)		(3,678)	(9,333)		(9,333)
Increase (decrease) in accounts payable	44,758		44,758	(55,708)		(55,708)
(Decrease) increase in prepaid maintenance assessments	<u>11,447</u>	<u>.....</u>	<u>11,447</u>	<u>(4,792)</u>	<u>.....</u>	<u>(4,792)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 57,044	\$ 109,563	\$ 166,607	\$ (61,642)	\$ 114,895	\$ 53,253

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Income Taxes	<u>\$ -0-</u>
Cash Paid for Interest	<u>\$ -0-</u>

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, 2015 & 2016

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. It is located in the town of Hypoluxo. The Association was formed to maintain and protect the common areas owned by the individual unit owners in common and consists of 412 units. One unit is used as the Association Office.

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, 2015 & 2016

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, 2016, the Association's certificates of deposit consist of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Synchrony Bank	1.29 %	07/11/17	\$ 180,000
Synchrony Bank	1.43%	07/01/17	70,000
Iberia Bank	Varies	02/28/22	100,000
Iberia Bank	Varies	05/30/22	50,000
Bank of the West	Varies	11/26/21	160,000
Barclays Bank	Varies	10/28/20	<u>100,000</u>
Total			<u>\$ 660,000</u>

4. ANNUITIES

As of October 31, 2016, the Association Annuities consist of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Security Benefit Annuity Reserve	2.25%	10/17/21	\$ 100,000
Security Benefit Annuity Reserve	2.25%	10/18/21	<u>100,000</u>
Total			<u>\$ 200,000</u>

READ INDEPENDENT AUDITOR'S REPORT

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2015 & 2016

5. DEPOSITS

As of October 31, 2016, the Association's deposits consist of amounts on deposit with utility companies to obtain electric service.

6. PROPERTY AND EQUIPMENT

As of October 31, 2016, Property and Equipment consists of the following:

Condominium unit	\$ 71,101
Maintenance Building	6,701
Equipment	10,641
Miner Road land	96,916
Land	125,059
Satellite TV System	<u>194,297</u>
	504,715
Less: Accumulated Depreciation	<u>268,313</u>
Property and Equipment – Net	<u>\$ 236,402</u>

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.

The Association has decided not to capitalize any purchases of Property & Equipment but rather to expense them in the year they occur, with the exception of Land Purchase.

7. 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.

READ INDEPENDENT AUDITOR'S REPORT

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED OCTOBER 31, 2015 & 2016

The balance at October 31, 2016, consists of the following:

	<u>BEGINNING FUND BALANCE 10/31/15</u>	<u>MEMBERS' ADDITIONS</u>	<u>AMOUNTS DISBURSED</u>	<u>ENDING FUND BALANCE 10/31/16</u>
Roofs	\$ 285,866	\$ 33,500	\$ -0-	\$ 319,366
Painting	11,570	-0-	-0-	11,570
Streets	165,505	23,500	-0-	189,005
Pools and Spa	50,540	8,000	-0-	58,540
Awnings	75,074	-0-	-0-	75,074
Sprinklers	43,221	5,000	-0-	48,221
TV Cable				
Infrastructure	50,000	12,500	-0-	62,500
Interest	17,492	11,122	-0-	28,614
Working Capital	<u>71,500</u>	<u>30,000</u>	<u>-0-</u>	<u>101,500</u>
	<u>\$ 770,768</u>	<u>\$ 123,622</u>	<u>\$ -0-</u>	<u>\$ 894,390</u>

8. 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. At report date, the Association's federal income tax returns for 2014, 2015, and 2016 remain open to examination by the Internal Revenue Service. The Association has zero income tax due for the year ended October 31, 2016.

READ INDEPENDENT AUDITOR'S REPORT

WATERSIDE VILLAGE OF PALM BEACH CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED OCTOBER 31, 2015 & 2016

9. 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.

10. UNINSURED CASH BALANCES

The Association maintains its operating and replacement cash balances at Regions Bank, Iberia Financial Services, Bank of the west, Barclays Bank, Security Benefit Life insurance benefits and Synchrony Bank. Accounts located at commercial banks are secured by the Federal Deposit Insurance Corporation up to \$ 250,000. From time to time, the Association may have cash in financial institutions in excess of federally insured Limits. As of October 31, 2016, the Association did not have cash in excess of FDIC limits.

11. INSURANCE

The association maintains multiple insurance policies to remain compliant with the requirements set forth in the association's governing documents and chapter 718 F.S. Detailed information on any of these policies is available in the management office.

12. LAND PURCHASE

The Association entered into a Purchase and Sale agreement with Mark C. Albright to purchase real property known as Lots 101, 102, 149 & 150 Tropical Terrace Plat Book 22 Page 58, Hypoluxo, FL. The closing took place on May 5, 2014

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 16, 2017, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

READ INDEPENDENT AUDITOR'S REPORT

**SUPPLEMENTARY INFORMATION**

SUPPLEMENTAL SCHEDULE

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND  
REPLACEMENTS

OCTOBER 31, 2016

(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 association does not currently have enough funds in its reserve accounts to cover reserve components based on the schedule therefore the association might be required to have a special assessment or assessments to cover these components.

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	18 Years	\$ 1,000,000	\$ 34,000
Painting	1-7 Years	11,570	-0-
Streets	10 Years	575,000	29,000
Pools and Spas	3-5 Years	65,000	4,500
Cable TV	6 Years	125,000	12,500
Infrastructure			
Awnings	3 Years	75,000	-0-
Sprinklers	1 Years	<u>50,000</u>	<u>2,500</u>
		<u>\$ 1,901,570</u>	<u>\$ 82,500</u>

READ INDEPENDENT AUDITOR'S REPORT AND ACCOMPANYING NOTES