

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

DENNIS H. COOK

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INDEPENDENT AUDITORS REPORT

March 7, 2016

To The Board of Directors
St. Croix at Pelican Marsh Condominium Association, Inc.
Naples, Florida

I have audited the accompanying balance sheet of St. Croix at Pelican Marsh Condominium Association, Inc. which comprise the balance sheet as of December 31, 2015 and the related statements of assessments, revenues and expenditures, changes in fund balances, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Croix at Pelican Marsh Condominium Association, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year ended accordance with accounting principles generally accepted in the United States of America.



Dennis H. Cook
Certified Public Accountant

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2015

ASSETS

	<u>GENERAL FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash in Bank-Operating	\$ 732,250	\$ 1,990,399	\$ 2,722,649
Accounts Receivable-Owner's (Less Allowance for Uncollectible)	13,996	-	13,996
Prepaid Insurance and expenses	63,739	-	63,739
Due From Reserves	6,695	-	6,695
Deposits	-	-	-
TOTAL ASSETS	<u>\$ 816,680</u>	<u>\$ 1,990,399</u>	<u>\$ 2,807,079</u>

LIABILITIES AND FUND BALANCES

<u>LIABILITIES</u>			
Accounts Payable-Trade	\$ 25,203	\$ -	\$ 25,203
Accrued Wages	1,688	-	1,688
Prepaid Assessments	96,891	-	96,891
Due To Operating	-	<u>6,695</u>	<u>6,695</u>
TOTAL LIABILITIES	123,782	6,695	130,477
CONTINGENCIES AND COMMITMENTS (Note 2)			
<u>FUND BALANCE</u>	<u>692,898</u>	<u>1,983,704</u>	<u>2,676,602</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 816,680</u>	<u>\$ 1,990,399</u>	<u>\$ 2,807,079</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENDITURES

AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2015

	<u>GENERAL FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
ASSESSMENTS AND REVENUES:			
Maintenance Fees Assessed	\$ 550,714	\$ 630,086	\$ 1,180,800
Interest Income	498	2,186	2,684
Other Income-Utilities, Fees, Transfers	132,460	-	132,460
Misc. Income-Late Fees, Applications, Etc	<u>65,649</u>	<u>-</u>	<u>65,649</u>
TOTALS	<u>749,321</u>	<u>632,272</u>	<u>1,381,593</u>
EXPENDITURES:			
Bad Debts & Uncollected			
Assessment	-	-0-	-
Cable TV	124,978	-0-	124,978
Grounds, Lake, Fountain	137,093	-0-	137,093
Pool Maintenance & Repair	20,282	-0-	20,282
Insurance	194,698	-0-	194,698
Legal & Accounting	37,164	-0-	37,164
Management Fees	28,080	-0-	28,080
Office, Printing, Postage & Misc.	15,115	-0-	15,115
Pest Control	6,000	-0-	6,000
Repairs, Gates, Supplies & Roofing	21,979	39,338	61,317
Salaries-Admin/Maintenance	90,868	-0-	90,868
Taxes, Licenses & Permits	27,505	-0-	27,505
Telephone & Fire Alarm	24,459	-0-	24,459
Utilities & Trash	211,010	-0-	211,010
Fire Equipment Maintenance	12,391	-0-	12,391
Security-Service	21,983	-0-	21,983
Fitness Center	<u>8,415</u>	<u>-0-</u>	<u>8,415</u>
TOTALS	<u>982,020</u>	<u>39,338</u>	<u>1,021,358</u>
Excess of Expenditures Over Revenues	(232,699)	592,934	360,235
FUND BALANCES, OPENING-1-1-15	<u>954,347</u>	<u>1,390,770</u>	<u>2,345,117</u>
Prior Period Adjustment (Note 1)	<u>(28,750)</u>	<u>-0-</u>	<u>(28,750)</u>
FUND BALANCES, ENDING-12-31-15	<u>\$ 692,898</u>	<u>\$ 1,983,704</u>	<u>\$ 2,676,602</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

Cash Flows From Operational Activities:

Cash Received From Unit Owners	\$ 1,175,082
Other	198,109
Interest Income	2,684
Cash Paid to Vendors and Employees	(1,040,747)
Interest Paid	(-)
Net Cash Provided From Operating Activities	335,128

Cash Flows For Investing Activities:

-0-

Cash Flows From Financing Activities:

-0-

NET INCREASE IN CASH

335,128

CASH, BEGINNING OF YEAR

2,387,521

CASH, END OF YEAR

\$ 2,722,649

RECONCILIATION OF NET REVENUE (EXPENDITURES) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net Income	\$ 360,235
Adjustments to Reconcile Net Expenditures:	
Prior Year Adjustment	(28,750)
Accounts Receivable	(6,865)
Prepaid Expenses & Deposits	7,469
Accounts Payable	204
Accrued Expenses	1,688
Prepaid Assessments	<u>1,147</u>
Total Adjustments	(<u>25,107</u>)

NET CASH PROVIDED FOR OPERATING ACTIVITIES

\$ 335,128

INCOME TAXES PAID 2015 \$-0-

NO NON-CASH TRANSACTIONS IN 2015.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE A: NATURE OF ORGANIZATION

St. Croix at Pelican Marsh Condominium Association, Inc. (the "Association"), which is located in Naples, Florida was incorporated and commenced operations on April 15, 2005, under the laws of Florida as a not-for-profit organization. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes, Chapter 718, and the provisions of the Declaration of Condominium. The Association consists of 360 residential units.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Fund Accounting

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund

This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund

This fund is used to accumulate financial resources designated for the future major repairs and replacements and disbursements from the fund generally may be made for designated purposes only.

Converter Replacement Fund

A converter replacement fund is statutorily required in the State of Florida, when existing Buildings are converted to ownership as residential condominiums. The Developer has Elected to provide the statutory warranties pursuant to the provisions of Section 718.618 (6), Florida Statutes.

The Association prepared its financial statements on the accrual basis of accounting and in accordance with the Common Interest Realty Association Industry Audit Guide promulgated by the American Institute of Certified Public Accountants and in the accordance with Section 718.307(4)(c) of the Florida Statutes.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The income and expenses of the Association are allocated to unit owners based on the number of units. The quarterly assessment for each homeowner in 2015 was \$820 which included \$438 in reserves. Assessments receivable at the balance sheet date represents fees due from unit owners and unearned assessment income represents future fees paid in advance by members.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Ownership of the commonly owned assets is vested directly or indirectly in the unit owners, and those assets are not deemed to be severable. As a result, commonly owned assets are not recorded on the Association's financial statements. Assets not recorded on the books of the Association include the clubhouse, pool, roadways and various office equipment.

Management Estimates

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

Income Taxes

The Association has selected a December 31 year end and has filed its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income, less a portion of allocated Association expenses. The Association's income tax for the year ended 2015 was \$-0- using the 1120H method of tax filing. There are no open Federal or State tax years under audit, however years ending after December 31, 2012 remain subject to examination.

Concentration of Credit Risk

The Association maintains accounts at various financial institutions in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the receivables relate to billing to unit owners who pay quarterly assessments. The Association may continue to experience credit losses in the future.

Fair Value of Financial Instruments

The carrying value of cash, prepaids, payables and unearned assessment income approximate fair value due to the short maturity of these financial instruments.

Cash and Cash Equivalents -- Cash equivalents are temporary cash investments with a maturity of three or fewer months when purchased. These investments include accrued interest and are carried at the lower of cost or market. Cash reported in the reserve fund represent amounts reserved for future repairs and replacements.

Subsequent Events -- In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 7, 2016, the date of issue of this Financial Statements.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015

NOTE C: REPLACEMENT FUND

Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless funding is waived or modified by the unit owners at a unit owner meeting. These funds are generally not available for expenditures for normal operations.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on current replacement costs, using the straight-line method. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessment, or delay repairs and replacements until funds are available. A new reserve study was received in December 2013 and will be used in the year 2015 funding.

NOTE D: CONVERTER REPLACEMENT FUNDS

According to requirements of the State of Florida, when existing improvements are converted to ownership as a residential condominium, the Developer shall establish replacement fund accounts for capital expenditures and deferred maintenance, or give warranties (as provided in the Statutes) or post a surety bond (as provided in the Statutes). The Developer has elected to provide the statutory warranties pursuant to the provisions of Section 718.618(6), Florida Statutes.

NOTE E: ASSESSMENTS RECEIVABLE

Primarily represents the quarterly assessments due from homeowners aged less than 90 days. The member assessment receivable over 90 days at December 31, 2015 was \$13,996. This amount has been fully reserved and is included in bad debt on the statement of revenues, expenses and changes in fund balances from conversion.

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Liens have been filed on several properties and may result in future collections of the amounts charged to bad debt in 2015.

NOTE F: REQUIRED RESERVE FUND

Under Florida Statutes the Association is required to accumulate funds for future major repairs and replacements. These funds are to be segregated and held primarily in interest bearing accounts.

The future reserves are funded and based on the engineering study of the completed buildings on October 24, 2012. To be used in 2015. The pooling method is used.

The reserves to be funded for: Reserves Pooled Annually \$ 241,050

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2015

NOTE 1: PRIOR YEAR ADJUSTMENT

The Association had to pay a settlement of Legal expense from a prior year in the amount of \$28,750. This expense reduced the prior year net income by \$28,750 showing a net revenue over expense of \$125,707. The suite was started in 2014.

DENNIS H. COOK

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL INFORMATION**

March 7, 2016

To The Board of Directors
St. Croix at Pelican Marsh Condominium Association, Inc.
Naples, Florida

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund reserves and assessments, expenses and capital transaction actual and budget is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United State of America require that future major repairs and replacements be presented to supplement the basic 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Dennis H. Cook
Certified Public Accountant

ST. CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

OTHER FINANCIAL INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2015

The Association uses a pool funded basis for reserves.

Beginning Cash Balance 1-1-15	\$1,390,770
Pooled Funding – including interest	632,272
Charges	(39,338)
Ending Cash Balance 12-31-15	<u>\$1,983,704</u>

Annual funding under the pooling method will be \$241,050.

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND ASSESSMENTS,
EXPENSES AND CAPITAL TRANSACTIONS – ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ACTUAL</u> <u>“AUDITED”</u>	<u>APPROVED</u> <u>BUDGET</u> <u>“UNAUDITED”</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUES AND ASSESSMENTS			
Maintenance Fee Assessment	\$ 1,180,800	\$1,040,719	\$ 140,081
Interest	498	-	498
Other-Water Reimb., Misc.	<u>198,109</u>	<u>-</u>	<u>198,109</u>
Total Revenues & Assessments	1,379,407	1,040,719	338,688
EXPENSES			
Office/ Maintenance Payroll & Taxes	115,565	110,000	(5,565)
Management Fees	28,080	28,080	(-)
Accounting Fees	4,750	4,500	(250)
Legal Fees	<u>32,414</u>	<u>5,000</u>	(<u>27,414</u>)
	180,809	147,580	(33,229)
Maintenance & Operating Expenses			
Repairs, Pool	20,282	11,600	(8,682)
Security Service	21,983	20,540	(1,443)
General Maintenance & Sewer	16,831	20,017	3,186
Pest Control	6,000	6,000	-
Grounds-Contract & Maintenance	137,093	95,310	(41,783)
Entry Gate Cameras & System	5,148	7,500	2,352
Fire Protection	12,391	15,270	2,879
Clubhouse, Fitness	<u>8,415</u>	<u>2,500</u>	(<u>5,915</u>)
	228,143	178,737	(49,406)
Taxes, Licenses & Fees			
Other Taxes	1,368	945	(423)
Florida Condo Fees	<u>1,440</u>	<u>1,440</u>	<u>-</u>
	2,808	2,385	(423)
Utilities			
Electric	32,460	38,220	5,760
Water & Sewer	111,079	90,000	(21,079)
Telephone & Fire Alarms	24,459	23,004	(1,455)
Trash	67,471	63,804	(3,667)
Cable TV	<u>124,978</u>	<u>122,141</u>	(<u>2,837</u>)
	360,447	337,169	(23,278)

ST CROIX AT PELICAN MARSH CONDOMINIUM ASSOCIATION, INC.

SCHEDULE OF OPERATING FUND REVENUES AND ASSESSMENTS,

EXPENSES AND CAPITAL TRANSACTIONS – ACTUAL AND BUDGET (continued)

FOR THE YEAR ENDED DECEMBER 31, 2015

	ACTUAL "AUDITED"	APPROVED BUDGET "UNAUDITED"	VARIANCE FAVORABLE (UNFAVORABLE)
Administration			
Office Expense	15,115	17,208	2,093
Misc. Administration	-	5,000	5,000
Bad Debts	<u>-</u>	<u>75,440</u>	<u>75,440</u>
	15,115	97,648	82,533
Insurance			
Property & Liability	<u>194,698</u>	<u>277,200</u>	<u>82,502</u>
Total Expenses (Excluding Depreciation)	982,020	1,040,719	58,699
EXCESS OF REVENUE OVER EXPENSES AND ASSESSMENTS (Excluding Depreciation)	397,387	-0-	397,387
CAPITAL TRANSACTIONS			
Reserves Paid-Painting & Paving	(<u>630,086</u>)	(<u>230,086</u>)	(<u>400,000</u>)
EXCESS OF EXPENSES OVER REVENUES AND ASSESSMENTS (Excluding Depreciation) AND CAPITAL TRANSACTIONS	\$(<u>232,699</u>)	\$ (<u>230,086</u>)	\$ (<u>2,613</u>)