

**THE LANDINGS MAINTENANCE  
ASSOCIATION, INC.**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Balance sheet.....	3
Statement of revenues, expenses and changes in fund balances (deficits).....	4
Statement of cash flows .....	5
Notes to financial statements.....	7
SUPPLEMENTARY INFORMATION	
Schedule of expenses.....	12
Supplementary information on future major repairs and replacements .....	13



Frank J. Horkey, CPA, CFST\* - fhorkey@horkeycpa.com

William Diamond, CPA, CFST\* - wdiamond@horkeycpa.com

Imelda Lardizabal – ilardizabal@horkeycpa.com

Linda M. Arnold, CPA - larnold@horkeycpa.com

\* Certified in Florida Sales Tax

## Independent Auditors' Report

August 27, 2014

To the Board of Directors  
The Landings Maintenance Association, Inc.  
Weston, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of The Landings Maintenance Association, Inc., which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses and changes in fund balances (deficits) and cash flows for the year then ended and the related notes to 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 audit. We conducted our audit 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.



America Counts on CPAs

7301 NW 4<sup>th</sup> Street Suite 102 Plantation FL 33317-2234

Telephone: 954 742-3001 Facsimile: 954 572-3057

FEI #65-0266803

**Opinion**

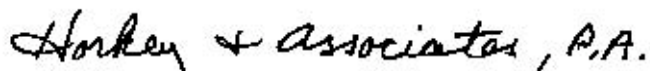
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses on page 12 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. The information has been subjected to the auditing procedures applied in the audit of 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 our 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 States of America require that the information on future major repairs and replacements on common property on pages 13 and 14 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 the 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 the 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.



Certified Public Accountants  
Plantation, Florida

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2013**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 230,753	\$ 208,242	\$ 438,995
Prepaid expenses	6,639	-	6,639
Deposits	80	-	80
Due from operating fund	<u>-</u>	<u>19,169</u>	<u>19,169</u>
 Total assets	 <u>\$ 237,472</u>	 <u>\$ 227,411</u>	 <u>\$ 464,883</u>

**LIABILITIES AND FUND BALANCES (DEFICITS)**

<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 93,345	\$ -	\$ 93,345
Assessments paid in advance	44,505	-	44,505
Security deposits payable	2,000	-	2,000
Due to replacement fund	<u>19,169</u>	<u>-</u>	<u>19,169</u>
 Total liabilities	 <u>159,019</u>	 <u>-</u>	 <u>159,019</u>
 <b>FUND BALANCES</b>			
Fund balance (deficit)	<u>78,453</u>	<u>227,411</u>	<u>305,864</u>
 Total fund balances	 <u>78,453</u>	 <u>227,411</u>	 <u>305,864</u>
 Total liabilities and fund balances (deficits)	 <u>\$ 237,472</u>	 <u>\$ 227,411</u>	 <u>\$ 464,883</u>

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**STATEMENT OF REVENUE, EXPENSES AND**  
**CHANGES IN FUND BALANCES (DEFICITS)**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Assessments	\$ 420,500	\$ 41,200	\$ 461,700
Interest income	117	1,415	1,532
Late fees	3,275	-	3,275
Bad debt (expense) / recovery	218	-	218
Other	3,060	-	3,060
	<u>427,170</u>	<u>42,615</u>	<u>469,785</u>
Total revenues			
<b>EXPENSES</b>			
Administrative	49,976	-	49,976
Utilities	21,775	-	21,775
Landscaping	74,541	-	74,541
Gate access control	143,847	-	143,847
Holiday	5,045	-	5,045
Maintenance	68,889	62,349	131,238
	<u>364,073</u>	<u>62,349</u>	<u>426,422</u>
Total expenses			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>			
	63,097	(19,734)	43,363
Fund balance (deficit) - beginning of year	<u>15,356</u>	<u>247,145</u>	<u>262,501</u>
Fund balance (deficit) - end of year	<u>\$ 78,453</u>	<u>\$ 227,411</u>	<u>\$ 305,864</u>

The accompanying notes are an integral part of these financial statements

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Received from unit owners	\$ 426,863	\$ 41,200	\$ 468,063
Interest	117	1,415	1,532
Paid to contractors and suppliers	<u>(288,484)</u>	<u>(62,349)</u>	<u>(350,833)</u>
Net cash provided by (used in) operating activities	<u>138,496</u>	<u>(19,734)</u>	<u>118,762</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Transfer between funds	<u>(62,350)</u>	<u>62,350</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(62,350)</u>	<u>62,350</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	76,146	42,616	118,762
Cash and cash equivalents - beginning of year	<u>154,607</u>	<u>165,626</u>	<u>320,233</u>
Cash and cash equivalents - end of year	<u>\$ 230,753</u>	<u>\$ 208,242</u>	<u>\$ 438,995</u>

The accompanying notes are an integral part of these financial statements

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 63,097	\$ (19,734)	\$ 43,363
ADJUSTMENTS TO RECONCILE EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
(Increase) Decrease in assessments receivable	3,948	-	3,948
(Increase) Decrease in prepaid expenses	(1,208)	-	(1,208)
Increase (Decrease) in accounts payable and accrued liabilities	76,798	-	76,798
Increase (Decrease) in security deposits payable	500	-	500
Increase (Decrease) in assessments paid in advance	(4,639)	-	(4,639)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 138,496	\$ (19,734)	\$ 118,762

The accompanying notes are an integral part of these financial statements



**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Landings Maintenance Association, Inc. (the Association) is a not-for-profit; non-stock corporation organized in March, 1995 pursuant to Chapter 720 of the Florida Statutes. The Association was formed to maintain and protect the common areas and consists of 243 single family homes in Weston, Florida.

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 recorded in the period in which they are incurred. Accordingly, assessments uncollected at the year-end are treated as maintenance receivables and any amounts paid by unit owners for the following year are treated as maintenance fees received in advanced.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, 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 future major repairs and replacements.

Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and Property Manager. Disbursements from the Replacement Fund may be made only from the designated purposes by the Board of Directors.

Cash And Cash Equivalents

For purposes of the statement of cash flows, the Association considers demand deposit accounts, savings accounts and certificate of deposits to be cash equivalents.

Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from the estimates that were used.

Capitalization and Depreciation Policy

Real property and common area acquired from the developer and related improvements to such property are not recorded in the Association's financial statements. The values of the common areas are not reflected in these financial statements since title to these properties is vested with individual home owners on a pro-rata basis and not with the Association. Generally, personal property purchased by the Association is expensed.

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013**

**NOTE 2 - MAINTENANCE ASSESSMENTS**

The Association's policy is to retain legal counsel and place liens on the residences of home owners whose assessments are delinquent. As of December 31, 2013, the Association had assessments receivable in the amount of \$19,855, of which \$19,855 is deemed to be uncollectible, with an allowance for doubtful accounts established for that amount.

**NOTE 3 - MEMBER ASSESSMENTS**

The Board of Directors determines the annual budget and assessments of home owners. The Association's policy is to retain any excess operating funds at the end of the operating year for use in future operating periods. The responsibility for payment of common expenses is apportioned among individual home owners. Based on the 2013 annual budget the member assessment was \$475 per quarter due on the first of the month in January, April, July and October.

**NOTE 4 - CURRENT PERIOD REPLACEMENT FUND ACTIVITY**

The approved budget includes provisions for replacement for capital improvements and deferred maintenance. The funds are being accumulated based on 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, arrange short or long term financing, or delay major repairs and replacements until funds are available.

The balance at December 31, 2013 consists of the following:

	<u>Balance December 31, 2012</u>	<u>Interest and Assessments</u>	<u>Expenditures</u>	<u>Balance December 31, 2013</u>
General	\$ 247,145	\$ 42,615	\$ (62,349)	\$ 227,411
Totals	<u>\$ 247,145</u>	<u>\$ 42,615</u>	<u>\$ (62,349)</u>	<u>\$ 227,411</u>

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

**NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

As outlined in State of Florida Statutes, home owner associations which elect to fund reserves in their budgets must include reserve accounts for any item with a replacement cost of at least \$10,000. The amount to be reserved is computed by means of a formula that is based upon the estimated life and estimated replacement cost of each reserve item.

An independent study to determine the adequacy of the current funding program for the replacement and deferred maintenance of Association common areas has not been conducted recently. A Reserve Study is schedule for 2014. Any funds to be accumulated in the Replacement Funds would be based on these estimates, which may not be accurate. Future actual expenditures may vary from the estimated expenditures, and the variation may be material. The table included in unaudited supplementary information on future major repairs and replacements is based on these estimates.

State law also provides that the majority of the home owners, at a duly called meeting of the Association, may vote to reserve amounts less adequate than required by law or vote to provide no reserves. The Association's Board of Directors determined for the year ended December 31, 2013, to fund \$41,200 into the Replacement Fund.

Since future actual expenditures may vary from the estimated expenditures, if there is a shortage of funds when needed, the Association has the right to increase the assessments, pass special assessments, arrange short or long term financing, or delay replacement, in certain cases, until funds are available.

**NOTE 6 - INCOME TAXES**

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. The other method enables the Association to elect to exclude from taxation "exempt function income," which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates. There is no current year provision for income taxes.

**NOTE 7 - COMMITMENTS**

The Association has various contract services to maintain the common property including management services, lawn maintenance, and security services. These contracts are currently on an annual or month to month basis.

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**

**NOTE 8 - CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially subject the Association to concentration of credit risk are primarily cash. The Association invests its excess cash in both certificates of deposit and high quality short term liquid money market instruments with major financial institutions, and carrying value approximates market value. The Federal Deposit Insurance Corporation (FDIC) provides insurance for each institution up to \$250,000. As of December 31, 2013 the Association had no funds in excess of the insured limit. The Association has not experienced any losses related to these investments and believes it is not exposed to any significant credit risk on cash.

**NOTE 9 - RELATED PARTY TRANSACTIONS**

In 2013, the Board of Directors obtained vendor proposals to install a new RFID gate access and security system. The winning bid was from a company owned by a member of the Board of Directors who is also an officer of the Association. The related Replacement Fund expenditures were \$20,559 in 2013. The Board conducted the bidding, proposal evaluation and voting in accordance with the Florida Statutes Title XL Real and Personal Property Chapter 720 Homeowners' Associations that regulates homeowners' association transactions.

**NOTE 10 - SUBSEQUENT EVENTS**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 27, 2014, the date that the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.  
SCHEDULE OF EXPENSES  
YEAR ENDED DECEMBER 31, 2013**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>ADMINISTRATIVE:</b>			
Management fees	\$ 23,328	\$ -	\$ 23,328
Legal	2,468	-	2,468
Accounting	4,100	-	4,100
Office expense	3,361	-	3,361
Coupon order	1,115	-	1,115
Bank charges	10	-	10
Insurance	13,278	-	13,278
Licenses and permits	2,316	-	2,316
	<u>\$ 49,976</u>	<u>\$ -</u>	<u>\$ 49,976</u>
<b>UTILITIES:</b>			
Electricity	\$ 10,927	\$ -	\$ 10,927
Telephone	2,925	-	2,925
Water and sewer	7,923	-	7,923
	<u>\$ 21,775</u>	<u>\$ -</u>	<u>\$ 21,775</u>
<b>LANDSCAPING:</b>			
Lawn maintenance	\$ 33,760	\$ -	\$ 33,760
Fertilization and pest control	10,301	-	10,301
Flowers	6,265	-	6,265
Mulch	7,600	-	7,600
Tree Trimming	4,750	-	4,750
Other	11,865	-	11,865
	<u>\$ 74,541</u>	<u>\$ -</u>	<u>\$ 74,541</u>
<b>GATE ACCESS CONTROL:</b>			
Guard services	\$ 142,798	\$ -	\$ 142,798
Clicker purchase	1,049	-	1,049
	<u>\$ 143,847</u>	<u>\$ -</u>	<u>\$ 143,847</u>
<b>HOLIDAY:</b>			
Holiday	\$ 5,045	\$ -	\$ 5,045
	<u>\$ 5,045</u>	<u>\$ -</u>	<u>\$ 5,045</u>
<b>MAINTENANCE:</b>			
General	\$ 9,189	\$ -	\$ 9,189
Sprinkler	5,235	-	5,235
Gate access	5,336	-	5,336
Sidewalk	24,000	-	24,000
Street lights	8,855	-	8,855
Janitorial	12,780	-	12,780
Supplies	106	-	106
Pressure cleaning	3,388	-	3,388
Street signs	-	9,186	9,186
Street lights and posts	-	27,250	27,250
Gate access and security	-	20,559	20,559
Irrigation	-	5,354	5,354
	<u>\$ 68,889</u>	<u>\$ 62,349</u>	<u>\$ 131,238</u>

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON**  
**FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**DECEMBER 31, 2013**  
**(UNAUDITED)**

An independent study to determine the adequacy of the current funding program for the replacement and deferred maintenance of Association common areas has not been conducted recently. A Reserve Study is scheduled for 2014. Any funds to be accumulated in the Replacement Fund would be based on these estimates, which may not be accurate. Future actual expenditures may vary from the estimated expenditures, and the variation 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, arrange short or long term financing, or delay major repairs and replacements until funds are available.

The 2013 December 31, 2013 Replacement Fund balance is \$227,411 and the 2013 Replacement Fund Assessments were \$41,200.

Estimated Replacement Fund expenses by year are as follows:

<u>Year</u>	<u>Estimated Expenses</u>			
	<u>Sidewalks</u>	<u>Streets</u>	<u>Other Assets</u>	<u>Total</u>
2014	\$ 50,000	\$ -	\$ 40,000	\$ 90,000
	50,000	-	40,000	90,000
2015	50,000	-	-	50,000
2016	50,000	-	11,140	61,140
2017	50,000	-	3,934	53,934
2018	50,000	-	65,617	115,617
2019	50,000	-	-	50,000
2020	50,000	-	165,854	215,854
	300,000	-	246,545	546,545
2021	25,000	-	-	25,000
2022	25,000	-	-	25,000
2023	25,000	-	232,902	257,902
2024	25,000	-	33,598	58,598
2025	25,000	-	38,759	63,759
	125,000	-	305,259	430,259
2026	25,000	-	-	25,000
2027	25,000	-	-	25,000
2028	25,000	900,000	-	925,000
2029	25,000	-	-	25,000
2030	25,000	-	-	25,000
	125,000	900,000	-	1,025,000
Thereafter	-	-	177,031	177,031
	-	-	177,031	177,031
Total	\$ 600,000	\$ 900,000	\$ 768,835	\$ 2,268,835

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON**  
**FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)**  
**DECEMBER 31, 2013**  
**(UNAUDITED)**

The estimated replacement costs of Other Assets is as follows:

Asset	Estimated Life		Year Installed	Year Replacement	Estimated Replacement Cost	
	Total	2014 Remaining			2014	Replacement Year CAGR
Gatehouse Improvements	20	0	1995	2014	\$ 6,000	\$ 6,000
Tot Lot Upgrade	10	0	N/A	2014	<u>34,000</u>	<u>34,000</u>
					40,000	40,000
Park Benches/Garbage Cans/Bike Rack	10	2	2006	2016	5,000	5,305
Landscape Lights/Electric/Clock	10	2	2006	2016	<u>5,500</u>	<u>5,835</u>
					10,500	11,140
Basketball Court Resurfacing	10	3	2007	2017	3,600	3,934
Chain Link Fences	15	4	2003	2018	24,300	27,350
Tot Lot Equipment	15	4	2003	2018	<u>34,000</u>	<u>38,267</u>
					58,300	65,617
Irrigation System/Lakes/Cul de Sacs	15	6	2005	2020	55,000	65,673
Mailbox Replacement	15	6	2005	2020	72,900	87,046
Entry Gates	15	6	2005	2020	<u>11,000</u>	<u>13,135</u>
					138,900	165,854
Lightpoles Replacement (105)	20	9	2003	2023	178,500	232,902
Gate Entry Systems	10	10	2014	2024	20,000	26,878
Security Cameras	10	10	2014	2024	<u>5,000</u>	<u>6,720</u>
					25,000	33,598
Park Pavillion	30	11	1995	2025	28,000	38,759
Street Signs & Posts	20	19	2013	2033	32,000	56,112
Monument Walls (5)	30	21	2005	2035	<u>65,000</u>	<u>120,919</u>
					\$ <u>579,800</u>	\$ <u>768,835</u>