

**THE LANDINGS MAINTENANCE
ASSOCIATION, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2012

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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

January 17, 2014

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

Report on the Financial Statements

We have audited the accompanying balance sheet and the related statements of revenues, expenses and changes in fund balances (deficits) and cash flows of The Landings Maintenance Association, Inc., (the Association), as of and for the year ended December 31, 2012, and the related notes to financial statements, which collectively comprise the Association's financial statements as listed in the table of contents.

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 4th 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance 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 page 13 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.

Honkey & Associates, P.A.

Certified Public Accountants
Plantation, Florida

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2012**

| | OPERATING FUND | REPLACEMENT FUND | TOTAL |
|---------------------------|-------------------|---------------------|------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 154,607 | \$ 165,627 | \$ 320,234 |
| Accounts receivable | 3,948 | - | 3,948 |
| Prepaid expenses | 5,431 | - | 5,431 |
| Deposits | 80 | - | 80 |
| Due from operating fund | - | 81,519 | 81,519 |
| Total assets | \$ 164,066 | \$ 247,146 | \$ 411,212 |

LIABILITIES AND FUND BALANCES (DEFICITS)

| | | | |
|---|------------|------------|------------|
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 16,548 | \$ - | \$ 16,548 |
| Assessments paid in advance | 49,144 | - | 49,144 |
| Security deposits payable | 1,500 | - | 1,500 |
| Due to replacement fund | 81,519 | - | 81,519 |
| Total liabilities | 148,711 | - | 148,711 |
| FUND BALANCES | | | |
| Fund balance (deficit) | 15,355 | 247,146 | 262,501 |
| Total fund balances | 15,355 | 247,146 | 262,501 |
| Total liabilities and fund balances (deficits) | \$ 164,066 | \$ 247,146 | \$ 411,212 |

**THE LANDINGS MAINTENANCE ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND BALANCES (DEFICITS)
YEAR ENDED DECEMBER 31, 2012**

| | <u>OPERATING FUND</u> | <u>REPLACEMENT FUND</u> | <u>TOTAL</u> |
|---|---------------------------|-----------------------------|-------------------|
| REVENUES | | | |
| Assessments | \$ 430,500 | \$ 31,200 | \$ 461,700 |
| Interest income | 122 | 546 | 668 |
| Late fees | 3,906 | - | 3,906 |
| Other | 1,430 | - | 1,430 |
| | <u>435,958</u> | <u>31,746</u> | <u>467,704</u> |
| Total revenues | | | |
| EXPENSES | | | |
| Administrative and general | 41,306 | - | 41,306 |
| Contracted services | 176,678 | - | 176,678 |
| Insurance | 10,849 | - | 10,849 |
| Maintenance and repairs | 113,243 | - | 113,243 |
| Utilities | 22,848 | - | 22,848 |
| | <u>364,924</u> | <u>-</u> | <u>364,924</u> |
| Total expenses | | | |
| EXCESS (DEFICIENCY OF REVENUES OVER EXPENSES | 71,034 | 31,746 | 102,780 |
| Fund balance (deficit) - beginning of year | <u>(55,679)</u> | <u>215,400</u> | <u>159,721</u> |
| Fund balance (deficit) - end of year | <u>\$ 15,355</u> | <u>\$ 247,146</u> | <u>\$ 262,501</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, 2012

| | <u>OPERATING FUND</u> | <u>REPLACEMENT FUND</u> | <u>TOTAL</u> |
|--|---------------------------|-----------------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Received from unit owners | \$ 428,750 | \$ 31,200 | \$ 459,950 |
| Interest | 122 | 546 | 668 |
| Paid to contractors and suppliers | <u>(402,683)</u> | <u>-</u> | <u>(402,683)</u> |
| Net cash provided by (used in) operating activities | <u>26,189</u> | <u>31,746</u> | <u>57,935</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Transfer between funds | <u>34,464</u> | <u>(34,464)</u> | <u>-</u> |
| Net cash provided by (used in) financing activities | <u>34,464</u> | <u>(34,464)</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 60,653 | (2,718) | 57,935 |
| Cash and cash equivalents - beginning of year | <u>93,954</u> | <u>168,345</u> | <u>262,299</u> |
| Cash and cash equivalents - end of year | <u>\$ 154,607</u> | <u>\$ 165,627</u> | <u>\$ 320,234</u> |

THE LANDINGS MAINTENANCE ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

| | 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 | \$ 71,034 | \$ 31,746 | \$ 102,780 |
| 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 | 1,322 | - | 1,322 |
| Increase (Decrease) in accounts payable and accrued liabilities | (39,081) | - | (39,081) |
| Increase (Decrease) in assessments paid in advance | (3,138) | - | (3,138) |
| | (3,138) | - | (3,138) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 26,189 | \$ 31,746 | \$ 57,935 |

THE LANDINGS MAINTENANCE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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 Equivalent

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, 2012**

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, 2012, the Association had assessments receivable in the amount of \$45,440, of which \$41,492 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 2012 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, 2012 consists of the following:

| | Balance December 31, 2011 | Interest and Assessments | Expenditures | Balance December 31, 2012 |
|---------|---------------------------------|-----------------------------|--------------|---------------------------------|
| General | <u>\$ 215,400</u> | <u>\$ 31,746</u> | <u>\$ -</u> | <u>\$ 247,146</u> |
| Totals | <u>\$ 215,400</u> | <u>\$ 31,746</u> | <u>\$ -</u> | <u>\$ 247,146</u> |

THE LANDINGS MAINTENANCE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

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. The Association transferred the reserve component interest earned on the reserve cash accounts to the gatehouse reserve account.

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, and no formal or informal study has been done since. Any funds to be accumulated in the reserve 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 has, by a majority vote at a duly called meeting, determined for the year ended December 31, 2012, fund \$31,200 into the reserve 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, 2012

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, 2012 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 - SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 17, 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, 2012**

| | OPERATING FUND | | REPLACEMENT FUND | | TOTAL |
|------------------------------------|-------------------|--|---------------------|--|-------------------|
| ADMINISTRATIVE AND GENERAL: | | | | | |
| Licenses, permits and taxes | \$ 2,224 | | \$ - | | \$ 2,224 |
| Postage and office supplies | 4,212 | | - | | 4,212 |
| Professional fees | 11,542 | | - | | 11,542 |
| Property management | 23,328 | | - | | 23,328 |
| | <u>\$ 41,306</u> | | <u>\$ -</u> | | <u>\$ 41,306</u> |
| CONTRACTED SERVICES: | | | | | |
| Lawn maintenance | \$ 41,492 | | \$ - | | \$ 41,492 |
| Pest control | 2,400 | | - | | 2,400 |
| Gate attendant | 127,516 | | - | | 127,516 |
| Gate attendant bonus | 5,270 | | - | | 5,270 |
| | <u>\$ 176,678</u> | | <u>\$ -</u> | | <u>\$ 176,678</u> |
| MAINTENANCE AND REPAIRS: | | | | | |
| Gate Repairs | \$ 2,556 | | \$ - | | \$ 2,556 |
| Holiday Lights | 6,484 | | - | | 6,484 |
| Landscape Replacement | 8,198 | | - | | 8,198 |
| Maintenance Manpower | 9,003 | | - | | 9,003 |
| Maintenance Supplies | 849 | | - | | 849 |
| Mulch | 9,100 | | - | | 9,100 |
| Lawn Exterminating and Fertilizing | 3,770 | | - | | 3,770 |
| Pressure Cleaning | 3,739 | | - | | 3,739 |
| Sidewalk Repairs | 750 | | - | | 750 |
| Sprinkler repairs | 2,658 | | - | | 2,658 |
| Street Light Repairs | 13,529 | | - | | 13,529 |
| Tree Trimming | 39,200 | | - | | 39,200 |
| General | 11,443 | | - | | 11,443 |
| Transpnder | 1,964 | | - | | 1,964 |
| | <u>\$ 113,243</u> | | <u>\$ -</u> | | <u>\$ 113,243</u> |
| UTILITIES: | | | | | |
| Electricity | \$ 12,852 | | \$ - | | \$ 12,852 |
| Telephone | 3,091 | | - | | 3,091 |
| Water and sewer | 6,905 | | - | | 6,905 |
| | <u>\$ 22,848</u> | | <u>\$ -</u> | | <u>\$ 22,848</u> |

THE LANDINGS MAINTENANCE ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2012
(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, and no formal or informal study has been done since. Any funds to be accumulated in the reserve 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. Therefore, amounts accumulated in the reserve 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 following table is based on the estimates and presents significant information about the components of the Replacement fund:

| Components | Estimated Useful Lives (Years) | Estimated Remaining Useful Lives | Estimated Replacement Cost | 2013 Funding Requirement | Balance December 31, 2012 |
|-------------------------------|--------------------------------------|--|----------------------------------|--------------------------------|---------------------------------|
| Asphalt | | 13 | \$ 150,000 | \$ - | \$ - |
| Benches, garbage cans | | 4 | 5,000 | - | - |
| Bus stop | | 1 | 2,000 | - | - |
| Clicker system | | 4 | 23,560 | - | - |
| Courts resurface | | 5 | 3,600 | - | - |
| Entry monuments - paint | | 1 | 4,350 | - | - |
| Entry monuments - repair | | 13 | 20,000 | - | - |
| Fences | | 6 | 12,800 | - | - |
| Gatehouse | | 3 | 15,000 | - | - |
| Gatehouse - paint | | 1 | 2,500 | - | - |
| Gates | | 1 | 11,000 | - | - |
| Globes replacement | | 5 | 22,220 | - | - |
| Irrigation pump system | | 1 | 10,000 | - | - |
| Landscape - drainage | | 1 | 100,000 | - | - |
| Light poles - paint | | 1 | 4,545 | - | - |
| Light poles - replacement | | 11 | 206,250 | - | - |
| Lights/electric/clock | | 4 | 5,500 | - | - |
| Mailbox - replacement | | 4 | 72,900 | - | - |
| Mailbox - paint | | 1 | 24,300 | - | - |
| Pavers - refurbishing/sealing | | 1 | 9,300 | - | - |
| Pavers - entrance/park | | 3 | 9,750 | - | - |
| Sealcoating | | 2 | 1,924 | - | - |
| Street signs | | 13 | 21,750 | - | - |
| Street signs - paint | | 1 | 565 | - | - |
| Street signs - lettering | | 1 | 4,875 | - | - |
| Tot lot equipment | | 11 | 33,000 | - | - |
| General | | | - | 41,200 | 247,146 |
| | | | <u>\$ 776,689</u> | <u>\$ 41,200</u> | <u>\$ 247,146</u> |