

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.

PANAMA CITY BEACH, FLORIDA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.

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FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Aquavista of Panama City Beach Owners' Association, Inc.
Panama City Beach, Florida

We have audited the accompanying financial statements of Aquavista of Panama City Beach Owners' Association, Inc., which comprise the balance sheet as of December 31, 2014, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year 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.

Auditors' 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 auditors' 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.

Board of Directors
Aquavista of Panama City Beach Owners' Association, Inc.

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 Aquavista of Panama City Beach Owners' Association, Inc. as of December 31, 2014, 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 supplementary information on page 10 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 supplementary information about future major repairs and replacements on page 11 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. 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.

Tipton, Mader, Mamer & Chastain

Panama City, Florida
April 26, 2015

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2014

ASSETS

	Operating Fund	Reserve Fund	Total
Current Assets:			
Cash - special assessments	\$ 336,764	\$	\$ 336,764
Cash - restricted		435,697	435,697
Accounts receivable	23,597		23,597
Due from operating fund		10,636	10,636
Prepaid insurance	55,051		55,051
Total current assets	415,412	446,333	861,745
Property and Equipment:			
Furniture, fixtures, and equipment	4,622		4,622
Less accumulated depreciation	(1,463)		(1,463)
Net property and equipment	3,159		3,159
Total Assets	\$ 418,571	\$ 446,333	\$ 864,904

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	268,388		268,388
Deferred revenue	72,705		72,705
Due to reserve fund	10,636		10,636
Insurance note payable	46,827		46,827
Overdraft - operating cash	1,729		1,729
Prepaid assessments	13,896		13,896
Refunds due to owners	1,522		1,522
Total current liabilities	415,703	0	415,703
Total liabilities	415,703	0	415,703
Fund Balances:			
Restricted		446,333	446,333
Unrestricted	2,868		2,868
Total fund balances	2,868	446,333	449,201
Total Liabilities and Fund Balances	\$ 418,571	\$ 446,333	\$ 864,904

See the accompanying notes.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2014

	Operating Fund	Reserve Fund	Total
Revenues:			
Assessments - maintenance	\$ 385,123	\$	\$ 385,123
Assessments - reserve		89,786	89,786
Special assessments	427,319		427,319
Bad debt recovery	1,452		1,452
Beach service	3,500		3,500
Cable	38,000		38,000
Insurance claim proceeds	34,419		34,419
Interest		363	363
Late fees	3,753		3,753
Miscellaneous income	25		25
Pest control	5,875		5,875
Work orders and labor	986		986
Total revenues	<u>900,452</u>	<u>90,149</u>	<u>990,601</u>
Expenses:			
Accounting and legal	27,368		27,368
Building maintenance	27,826		27,826
Cable	40,539		40,539
Depreciation	924		924
Elevator	21,158		21,158
Grounds maintenance	1,545		1,545
Insurance	59,936		59,936
Interest	555		555
Leased employees	81,865		81,865
Licenses and fees	1,712		1,712
Maintenance supplies	905		905
Management fee	26,400		26,400
Meeting expense	1,308		1,308
Miscellaneous	3,675		3,675
Office supplies and postage	12,930		12,930
Parking garage	1,250		1,250
Pest control	6,454		6,454
Pool maintenance	20,309		20,309
Reserve study	4,300		4,300
Security	34,863		34,863
Taxes	1,138		1,138
Telephone	5,883		5,883
Utilities	90,572		90,572
Website	780		780
Special assessment expense	427,319		427,319
Reserve expenses -			
Bagby		1,987	1,987
Clubhouse roof		2,900	2,900
Common area		5,522	5,522
Concrete/parking lot		10,417	10,417
Mechanical		11,682	11,682
Painting		9,548	9,548
Total expenses	<u>901,514</u>	<u>42,056</u>	<u>943,570</u>
Excess (Deficiency) of Revenues Over Expenses	\$ (1,062)	\$ 48,093	\$ 47,031
Fund Balance:			
Beginning of year	<u>3,930</u>	<u>398,240</u>	<u>402,170</u>
End of year	<u>\$ 2,868</u>	<u>\$ 446,333</u>	<u>\$ 449,201</u>

See the accompanying notes.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

	Operating Fund	Reserve Fund	Total
Cash Flows From Operating Activities:			
Cash received from assessments	\$ 863,530	\$ 89,786	\$ 953,316
Cash received from other revenues	88,010		88,010
Interest received		363	363
Interest paid	(555)		(555)
Cash paid for supplies, services, utilities, etc.	(639,256)	(42,056)	(681,312)
Net cash provided by operating activities	311,729	48,093	359,822
Cash Flows From Financing Activities:			
Interfund transfers - net	7,795	(7,795)	0
Net cash provided by (used in) financing activities	7,795	(7,795)	0
Net Increase in Cash and Cash Equivalents	319,524	40,298	359,822
Cash and Cash Equivalents at Beginning of Year	17,240	395,399	412,639
Cash and Cash Equivalents at End of Year	\$ 336,764	\$ 435,697	\$ 772,461
Reconciliation of Excess Revenues			
Over Expenses to Net Cash Provided By			
Operating Activities:			
Excess (Deficiency) of Revenues Over Expenses	\$ (1,062)	\$ 48,093	\$ 47,031
Adjustments to reconcile excess (deficiency) of			
revenues over expenses to net cash provided by			
operating activities:			
Depreciation expense	924		924
Changes in assets and liabilities -			
Increase in accounts receivable	(21,155)		(21,155)
Increase in prepaid insurance	(3,876)		(3,876)
Decrease in prepaid assessments	(462)		(462)
Increase in accounts payable	255,249		255,249
Increase in deferred revenue	72,705		72,705
Increase in cash overdraft	1,729		1,729
Increase in refunds due to owners	1,522		1,522
Increase in insurance note payable	6,155		6,155
Total adjustments	312,791	0	312,791
Net Cash Provided By Operating Activities	\$ 311,729	\$ 48,093	\$ 359,822

See the accompanying notes.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements of designated common elements that require replacement less frequently than annually.

Accounts Receivable:

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and future capital acquisitions. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. The Association's management has made an assessment of uncollectible receivables and determined that no allowance for uncollectible receivables is needed as of December 31, 2014. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Revenue Recognition:

Regular member assessments are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet. Special assessments are recognized as revenue when the corresponding liabilities and expenses are incurred, with any excess revenue reported as deferred assessments on the balance sheet, unless otherwise directed by the Board and Members.

Income Taxes:

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a homeowners' association for the year ended December 31, 2014. Under the election, the Association is generally taxed only on nonexempt function income (i.e. interest income, vending machine income, etc.) net of directly related expenses at a rate of 30%. For the year ended December 31, 2014, the Association did not owe income tax.

AQUAVISTA OF PANAMA CITY BEACH OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment:

Real property and common areas acquired from the developer and related improvements to such property (i.e. roof, swimming pool, parking lots, etc.) 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. Generally only property, furnishings and equipment for which the Association holds title to is recorded as an asset of the Association. Such property and equipment are recorded at cost and are depreciated principally by the straight-line method over the estimated useful lives of individual assets. Estimated useful lives are generally five years for both furniture and equipment.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Cash Flows:

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE 2 – NATURE OF ASSOCIATION

The Aquavista of Panama City Beach Owners Association, Inc., is a homeowners association incorporated in the State of Florida on May 24, 1984. The Association is responsible for the operation and maintenance of the common property and is supported by quarterly assessment fees. Membership in the Association is limited to the owners of units in the Aquavista Condominium which consists of 28 three bedroom units and 56 two bedroom units located on 3.86 acres in Panama City Beach, Florida. The governing body consists of a Board of Directors elected by the members.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual condominium units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens which have priority. Market value may be influenced by the real estate market in Panama City Beach, Florida.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 3 – CONCENTRATION OF CREDIT RISK (Continued)

The Association maintains its bank accounts at financial institutions in Panama City, Florida. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, the Association had \$428,141 of uninsured cash balances.

NOTE 4 – RESTRICTED CASH

Restricted cash represents cash required to be used for specified purposes only and is, therefore, unavailable for operating purposes. Details are as follows:

Reserve Fund cash restricted to use in repairing or replacing identified common elements	\$ 435,697
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NOTE 5 – RESERVE FUND

Florida condominium regulations require that the proposed annual budget include reserve funds for deferred maintenance and replacement. Funding of the reserves may be waived by a proper vote of the Association membership on an annual basis. The Association's budget for the year required that \$89,786 of the total annual assessments be allocated to such reserves. It is the Board's policy to fund reserves and to accumulate interest earned on such funds as a separate component of the Reserve Fund.

The Board annually reviews the replacement cost and the lives of the reserve components. The estimated replacement costs do not take into account the effects of inflation between the date of the estimation and the date that the components will require repair or replacement. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. If additional funds are needed for deferred maintenance or replacement and such accounts have not been adequately funded, the Association may increase the quarterly assessments of the unit owners, pass special assessments, or delay repairs until funds are available. The Association does not allocate interest earnings to the individual reserve components.

NOTE 6 – ANNUAL BUDGET AND OWNERS' ASSESSMENTS

The Association's by-laws require that the Board of Directors adopt a budget each year for common expenses and reserves. If the budget determined by the Board of Directors should exceed 115% of the prior year's budget, the unit owners have a right to call a special meeting to vote on the budget. Assessments are made against the unit owners for their share of the budget. Such assessments are due in quarterly installments. For the period December 31, 2014, the quarterly assessment per unit type was \$1,467 and \$1,698 for two bedroom and three bedroom units, respectively.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 7 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$	555
Income taxes		0

NOTE 8 – NOTE PAYABLE

In December 2014, the Association contracted with Premium Assignment Corporation for the payment of the Association's umbrella, general liabilities, crime, directors and officers, windstorm, and property insurance policies. The note is secured by policy premiums and bears an interest rate of 2.72%. The note is payable in eleven monthly installments of \$4,315. The entire outstanding balance of \$46,827 is due within one year.

NOTE 9 – SPECIAL ASSESSMENT

In May 2014, the Association levied a special assessment in the amount of \$500,024 to repair concrete spalling and perform preventative concrete spalling maintenance. During 2014, \$427,319 of related expenses were incurred and \$72,705 of deferred assessment revenue was recorded at December 31, 2014.

NOTE 10 – TAX STATUS

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and State taxing agencies. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2012.

NOTE 11 – SUBSEQUENT EVENTS

The Association did not have any subsequent events requiring disclosure or recording in these financial statements through April 26, 2015 which is the date these financial statements were issued.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
SCHEDULE OF CHANGES IN FUND BALANCE - BY COMPONENT
RESERVE FUND
YEAR ENDED DECEMBER 31, 2014

Components	Beginning Balance 1/1/2014	Additions	Expenditures	Interest Earned	Ending Balance 12/31/2014
Clubhouse roof	\$ 18,962	\$ 3,223	\$ (2,900)	\$	\$ 19,285
Common area	11,391	4,652	(5,522)		10,521
Concrete	48,513	9,468	(10,417)		47,564
Elevator - cable	14,302	7,346	-		21,648
Elevator - hydraulic	77,563	17,805	(1,987)		93,381
Handrails, walkway	103,548	12,418	-		115,966
Mansards	39,357	1,302	-		40,659
Mechanical	10,882	8,755	(11,682)		7,955
Paint	43,600	17,644	(9,548)		51,696
Pool, hot tub, sauna	8,061	5,860	-		13,921
Roof	12,676	1,313	-		13,989
Interest earned	9,385			363	9,748
Totals	\$ 398,240	\$ 89,786	\$ (42,056)	\$ 363	\$ 446,333

See independent auditors' report.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
YEAR ENDED DECEMBER 31, 2014

The Board annually reviews the replacement cost and the lives of the reserve components. The estimated future replacement costs do not take into account the effects of inflation between the date of the estimation and the date that the components will require repair or replacement. Actual expenditures may vary from the estimated amounts and the variation may be material.

Components	Remaining Useful Lives (Years)	Current Replacement Costs	Components of Fund Balance at December 31, 2014	Amount Required for Full Funding for 2015
Clubhouse roof	16	\$ 70,000	\$ 19,285	\$ 3,170
Common area	3	30,000	10,521	6,493
Concrete	15	200,000	47,564	10,162
Elevator - cable	27	220,000	21,648	7,346
Elevator - hydraulic	7	220,000	93,381	18,088
Handrails, walkway	24	414,000	115,966	12,418
Mansards	16	50,000	40,659	584
Mechanical	3	50,000	7,955	14,015
Paint	7	200,000	51,696	21,186
Pool, hot tub, sauna	3	31,500	13,921	5,860
Roof	16	35,000	13,989	1,313
Interest earned			9,748	N/A
		<u>\$ 1,520,500</u>	<u>\$ 446,333</u>	<u>\$ 100,635</u>

See independent auditors' report.