

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.

PANAMA CITY BEACH, FLORIDA

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**

**PANAMA CITY BEACH, FLORIDA**

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**YEAR ENDED DECEMBER 31, 2011**

**CONTENTS**

	PAGE
Independent accountants' compilation report	1
Balance sheet	3
Statement of revenues, expenses and changes in fund balances	4
Statement of cash flows	5
Notes to financial statements	6
Supplementary information:	
Schedule of changes in fund balance - by component - Reserve Fund	11
Supplementary information on future major repairs and replacements	12



## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying balance sheet of Aquavista of Panama City Beach Owners' Association, Inc. as of December 31, 2011, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The supplementary information contained in the schedule of changes in fund balance by component on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 12 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. The required supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the required supplementary information and, accordingly, we do not express an opinion or provide any assurance on such required supplementary information.

*Tipton, Mark, Garner & Chostari*

Panama City, Florida  
September 19, 2012

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2011**

**ASSETS**

	Operating Fund	Reserve Fund	Total
<b>Current Assets:</b>			
Cash - operating	\$ 8,050	\$	\$ 8,050
Cash - restricted		237,583	237,583
Accounts receivable, net	7,566		7,566
Due from reserve fund	40,375		40,375
Prepaid insurance	44,054		44,054
Total current assets	100,045	237,583	337,628
 <b>Total Assets</b>	<b>\$ 100,045</b>	<b>\$ 237,583</b>	<b>\$ 337,628</b>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>			
Accounts payable	\$ 16,859	\$	\$ 16,859
Deferred revenue	86,313		86,313
Due to operating fund		40,375	40,375
Insurance note payable	37,071		37,071
Line of credit payable	15,445		15,445
Prepaid assessments	29,029		29,029
Total current liabilities	184,717	40,375	225,092
 Total liabilities	184,717	40,375	225,092
 <b>Fund Balances (Deficit):</b>			
Restricted		197,208	197,208
Unrestricted	(84,672)		(84,672)
Total fund balances	(84,672)	197,208	112,536
 <b>Total Liabilities and Fund Balances</b>	<b>\$ 100,045</b>	<b>\$ 237,583</b>	<b>\$ 337,628</b>

See independent accountants' compilation report  
and the accompanying notes.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2011**

	Operating Fund	Reserve Fund	Total
<b>Revenues:</b>			
Assessments - maintenance	\$ 368,831	\$	\$ 368,831
Assessments - reserve		111,576	111,576
Special assessments	27,906		27,906
Beach service	0		0
Cable	34,003		34,003
Insurance recovery	10,000		10,000
Interest	458	1,027	1,485
Miscellaneous income	3,081		3,081
Pest control	4,401		4,401
Water extraction services	7,142		7,142
Work orders and labor	1,543		1,543
Total revenues	<u>457,365</u>	<u>112,603</u>	<u>569,968</u>
<b>Expenses:</b>			
Accounting and legal	9,708		9,708
Bad debt expense	3,800		3,800
Building maintenance	27,309		27,309
Cable	34,896		34,896
Elevator	39,123		39,123
Grounds maintenance	1,513		1,513
Insurance	59,952		59,952
Interest	2,333		2,333
Leased employees	62,822		62,822
Licenses and fees	1,251		1,251
Maintenance supplies	433		433
Management fee	26,400		26,400
Miscellaneous	2,380		2,380
Office supplies and postage	16,066		16,066
Parking garage	2,448		2,448
Pest control	5,643		5,643
Pool maintenance	15,268		15,268
Reserve study	4,300		4,300
Security	16,445		16,445
Taxes	979		979
Telephone	4,133		4,133
Utilities	83,705		83,705
Water extraction services	36,291		36,291
Special assessment expense	27,906		27,906
Reserve expenses -			
Common area		13,740	13,740
Elevator -cable		27,450	27,450
Elevator - hydraulic		34,333	34,333
Painting		128,468	128,468
Mansards		11,500	11,500
Mechanical		5,856	5,856
Total expenses	<u>485,104</u>	<u>221,347</u>	<u>706,451</u>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<u>\$ (27,739)</u>	<u>\$ (108,744)</u>	<u>\$ (136,483)</u>
<b>Fund Balance:</b>			
Beginning of year	<u>(56,933)</u>	<u>305,952</u>	<u>249,019</u>
End of year	<u>\$ (84,672)</u>	<u>\$ 197,208</u>	<u>\$ 112,536</u>

See independent accountants' compilation report  
and the accompanying notes.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2011**

	Operating Fund	Reserve Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from assessments	\$ 483,331	\$ 111,576	\$ 594,907
Cash received from other revenues	60,170		60,170
Interest received	458	1,027	1,485
Interest paid	(2,333)		(2,333)
Cash paid for supplies, services, utilities, etc.	(523,744)	(221,347)	(745,091)
<b>Net cash provided by (used in) operating activities</b>	<b>17,882</b>	<b>(108,744)</b>	<b>(90,862)</b>
<b>Cash Flows From Financing Activities:</b>			
Interfund transfers - net	(50,260)	50,260	0
Proceeds from line of credit	15,445		15,445
<b>Net cash provided by (used in) financing activities</b>	<b>(34,815)</b>	<b>50,260</b>	<b>15,445</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	(16,933)	(58,484)	(75,417)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>24,983</b>	<b>296,067</b>	<b>321,050</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 8,050</b>	<b>\$ 237,583</b>	<b>\$ 245,633</b>
<b>Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided By (Used In) Operating Activities:</b>			
Excess (Deficiency) of Revenues under expenses	<b>\$ (27,739)</b>	<b>\$ (108,744)</b>	<b>\$ (136,483)</b>
<b>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:</b>			
Changes in assets and liabilities -			
Decrease in accounts receivable	35,871		35,871
Increase in prepaid insurance	(902)		(902)
Increase in prepaid assessments	(14,591)		(14,591)
Decrease in accounts payable	(44,585)		(44,585)
Increase in deferred revenue	69,117		69,117
Increase in insurance note payable	711		711
Total adjustments	<b>45,621</b>	<b>0</b>	<b>45,621</b>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ 17,882</b>	<b>\$ (108,744)</b>	<b>\$ (90,862)</b>

See independent accountants' compilation report  
and the accompanying notes.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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 an allowance for uncollectible receivables of \$8,000 is needed as of December 31, 2011. 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.



**AQUAVISTA OF PANAMA CITY BEACH OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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, 2011. 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, 2011, the Association did not owe income tax.

*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.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**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.

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, 2011, the Association had no 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	\$237,583
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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 operating budget for the year required that \$111,577 of the quarterly 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.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 5 - RESERVE FUND (Continued)**

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, 2011, the quarterly assessment per unit type was \$1,467 and \$1,698 for two bedroom and three bedroom units, respectively.

**NOTE 7 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for:

Interest	\$ 2,333
Income taxes	0

**NOTE 8 – NOTE PAYABLE**

In December 2011, 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 3.09%. The note is payable in eleven monthly installments of \$3,434. The entire outstanding balance of \$37,071 is due within one year.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE 9 – SPECIAL ASSESSMENT**

In September, 2010, the Association levied a special assessment in the amount of \$90,000 to replace the roof of the two towers, mansards, and the pool cabana. During 2010, \$72,800 of related expenses were incurred and \$17,199 of deferred assessment revenue was recorded at December 31, 2010, 2011, and 2012.

In April 2011, the Association levied a special assessment in the amount of \$97,020 to waterproof the building and repair the elevators. During 2011, \$27,906 of related expenses were incurred and \$69,114 of deferred assessment revenue has been recorded at December 31, 2011.

**NOTE 10 – SUBSEQUENT EVENTS**

The Association did not have any subsequent events requiring disclosure or recording in these financial statements through September 19, 2012, 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, 2011**

Components	Beginning Balance 01/01/11	Additions	Expenditures	Interest Earned	Ending Balance 12/31/11
Clubhouse roof	\$ 12,664	\$ 294	\$	\$	\$ 12,958
Common area	15,250	3,325	(13,740)		4,835
Concrete	20,000	9,577			29,577
Elevator - cable	22,978	4,082	(27,450)		(390)
Elevator - hydraulic	36,243	17,200	(34,333)		19,110
Handrails, walkway	58,612	20,100			78,712
Mansards	48,558	1,047	(11,500)		38,105
Mechanical	8,140	5,941	(5,856)		8,225
Paint	81,671	38,447	(128,468)		(8,350)
Pool, hot tub, sauna	(8,771)	5,112			(3,659)
Roof	3,599	6,451			10,050
Interest earned	7,008			1,027	8,035
Totals	<u>\$ 305,952</u>	<u>\$ 111,576</u>	<u>\$ (221,347)</u>	<u>\$ 1,027</u>	<u>\$ 197,208</u>

See independent accountants' compilation report.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

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, 2011	Amount Required for Full Funding for 2012
Clubhouse roof	19	\$ 70,000	\$ 12,958	\$ 3,002
Common area	6	30,000	4,835	4,194
Concrete	18	200,000	29,577	9,468
Elevator - cable	30	220,000	(390)	7,346
Elevator - hydraulic	10	220,000	19,110	20,089
Handrails, walkway	27	414,000	78,712	20,082
Mansards	19	50,000	38,105	626
Mechanical	6	50,000	8,225	6,963
Paint	10	200,000	(8,350)	20,835
Pool, hot tub, sauna	6	31,500	(3,659)	5,860
Roof	19	35,000	10,050	1,313
Interest earned			8,035	
		<u>\$ 1,520,500</u>	<u>\$ 197,208</u>	<u>\$ 99,778</u>

See independent accountants' compilation report.