

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.

PANAMA CITY BEACH, FLORIDA

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 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 sheets as of December 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the years 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 audits. We conducted our audits 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.

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, 2015 and 2014, and the results of its operations and its cash flows for the years 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 pages 14 and 15 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 16 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, Mauler, Garner & Chastain

Panama City, Florida
May 10, 2016

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	ASSETS				
	2015			2014	
	Operating Fund	Special Assessment Fund	Reserve Fund	Total	Total, as restated
Current Assets:					
Cash - operating	\$ 54,641			\$ 54,641	\$ 0
Cash - special assessments		\$ 725		725	336,764
Cash - restricted			\$ 342,377	342,377	435,697
Accounts receivable, net	12,083	4,949		17,032	23,597
Due from operating fund		1,181	58,427	59,608	22,318
Prepaid insurance	45,828			45,828	55,051
Total current assets	112,552	6,855	400,804	520,211	873,427
Property and Equipment:					
Furniture, fixtures, and equipment	4,622			4,622	4,622
Less accumulated depreciation	(2,387)			(2,387)	(1,463)
Net property and equipment	2,235			2,235	3,159
Total Assets	\$ 114,787	\$ 6,855	\$ 400,804	\$ 522,446	\$ 876,586
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts payable	\$ 41,121			\$ 41,121	\$ 268,388
Overdraft - operating cash				0	1,729
Refunds due to owners				0	1,522
Prepaid assessments	14,471			14,471	13,896
Deferred revenue				0	72,705
Due to special assessments	1,181			1,181	0
Due to reserve fund	58,427			58,427	22,318
Insurance note payable	40,946			40,946	46,827
Total current liabilities	156,146			156,146	427,385
Total liabilities	156,146			156,146	427,385
Fund Balances:					
Restricted			\$ 400,804	400,804	458,015
Unrestricted	(41,359)	\$ 6,855		(34,504)	(8,814)
Total fund balances	(41,359)	6,855	400,804	366,300	449,201
Total Liabilities and Fund Balances	\$ 114,787	\$ 6,855	\$ 400,804	\$ 522,446	\$ 876,586

See independent auditor's report and accompanying notes.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2015 AND 2014

	2015			2014	
	Operating Fund	Special Assessment Fund	Reserve Fund	Total	Total
Revenues:					
Assessments - operating	\$ 421,063			\$ 421,063	\$ 428,998
Assessments - reserve			\$ 97,721	97,721	89,786
Special assessments		\$ 134,869		134,869	427,319
Bad debt recovery				0	1,452
Beach service	3,500			3,500	3,500
Insurance claim proceeds	3,917			3,917	34,419
Interest			137	137	363
Finance charges	3,796			3,796	3,753
Miscellaneous income	1,850			1,850	0
Work orders and labor	228			228	986
Total revenues	<u>434,354</u>	<u>134,869</u>	<u>97,858</u>	<u>667,081</u>	<u>990,576</u>
Expenses:					
Accounting	8,925			8,925	9,925
Administrative fees - Gulfview	4,893			4,893	9,655
Bad debt expense	11,674			11,674	0
Building maintenance	17,289			17,289	29,884
Cable - TV and internet	51,510			51,510	40,539
Depreciation	924			924	924
Elevator	21,688			21,688	21,158
Grounds maintenance	3,320			3,320	1,545
Insurance	66,546			66,546	59,936
Interest	642			642	555
Legal fees	18,622			18,622	8,268
Licenses and fees	1,444			1,444	1,712
Maintenance mileage	1,000			1,000	970
Maintenance staff	76,920			76,920	81,865
Maintenance supplies	6,902			6,902	8,674
Management fee	26,400			26,400	26,400
Meeting expense	547			547	1,308
Miscellaneous	179	30		209	760
Office supplies and postage	4,206			4,206	5,023
Parking garage	4,414			4,414	1,250
Pest control	6,226			6,226	6,454
Pool maintenance	13,913			13,913	20,309
Reserve study	0			0	4,300
Security	25,184			25,184	34,863
Taxes	1,055			1,055	1,138
Telephone	5,777			5,777	5,883
Utilities	86,445			86,445	90,572
Website	300			300	300
Special assessment expenses -					
Concrete/spalling repairs		49,257		49,257	427,319
City building/fire code corrections		78,681		78,681	0
Reserve expenses -					
Elevator - Bagby and Kone			46,639	46,639	1,987
Clubhouse roof				0	2,900
Common area			14,654	14,654	5,522
Concrete/parking lot				0	10,417
Mansards			3,750	3,750	0
Mechanical			10,925	10,925	11,682
Painting			38,700	38,700	9,548
Pool			3,396	3,396	0
Railings			37,005	37,005	0
Total expenses	<u>466,945</u>	<u>127,968</u>	<u>155,069</u>	<u>749,982</u>	<u>943,545</u>
Excess (Deficiency) of Revenues Over Expenses	\$ (32,591)	\$ 6,901	\$ (57,211)	\$ (82,901)	\$ 47,031
Fund Balance:					
Beginning of year, as restated	<u>(8,768)</u>	<u>(46)</u>	<u>458,015</u>	<u>449,201</u>	<u>402,170</u>
End of year	<u><u>\$ (41,359)</u></u>	<u><u>\$ 6,855</u></u>	<u><u>\$ 400,804</u></u>	<u><u>\$ 366,300</u></u>	<u><u>\$ 449,201</u></u>

See independent auditor's report and accompanying notes.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015 AND 2014

	2015			2014	
	Operating Fund	Special Assessment Fund	Reserve Fund	Total	Total
Cash Flows From Operating Activities:					
Cash received from assessments	\$ 416,415	\$ 66,194	\$ 97,721	\$ 580,330	\$ 953,316
Cash received from other revenues	9,374			9,374	88,010
Interest received			137	137	363
Interest paid	(642)			(642)	(555)
Cash paid for supplies, services, utilities, etc.	(419,434)	(389,414)	(155,069)	(963,917)	(681,312)
Net cash provided by (used in) operating activities	<u>5,713</u>	<u>(323,220)</u>	<u>(57,211)</u>	<u>(374,718)</u>	<u>359,822</u>
Cash Flows From Financing Activities:					
Interfund transfers - net	48,928	(12,819)	(36,109)	0	0
Net cash provided by (used in) financing activities	<u>48,928</u>	<u>(12,819)</u>	<u>(36,109)</u>	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	54,641	(336,039)	(93,320)	(374,718)	359,822
Cash and Cash Equivalents at Beginning of Year	<u>0</u>	<u>336,764</u>	<u>435,697</u>	<u>772,461</u>	<u>412,639</u>
Cash and Cash Equivalents at End of Year	<u>\$ 54,641</u>	<u>\$ 725</u>	<u>\$ 342,377</u>	<u>\$ 397,743</u>	<u>\$ 772,461</u>
Reconciliation of Excess Revenues Over Expenses to Net Cash Provided By Operating Activities:					
Deficiency of Revenues under expenses	\$ (32,591)	\$ 6,901	\$ (57,211)	\$ (82,901)	\$ 47,031
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:					
Depreciation expense	924			924	924
Changes in assets and liabilities -					
(Increase) Decrease in accounts receivable	2,535	4,030		6,565	(21,155)
(Increase) Decrease in prepaid insurance	9,223			9,223	(3,876)
Increase (Decrease) in prepaid assessments	575			575	(462)
Increase (Decrease) in accounts payable	34,179	(261,446)		(227,267)	255,249
Increase (Decrease) in deferred revenue		(72,705)		(72,705)	72,705
(Increase) Decrease in cash overdraft	(1,729)			(1,729)	1,729
Increase (Decrease) in due to owners	(1,522)			(1,522)	1,522
Increase (Decrease) in notes payable	(5,881)			(5,881)	6,155
Total adjustments	<u>38,304</u>	<u>(330,121)</u>	<u>-</u>	<u>(291,817)</u>	<u>312,791</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 5,713</u>	<u>\$ (323,220)</u>	<u>\$ (57,211)</u>	<u>\$ (374,718)</u>	<u>\$ 359,822</u>

See independent auditor's report and accompanying notes.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 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.

Special Assessment Fund - This fund is used to accumulate financial resources designated for special projects as approved by 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 the collectability of receivables and determined that an allowance for uncollectible receivables of approximately \$11,674 and \$0 is needed as of December 31, 2015 and 2014, respectively. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Revenue Recognition:

The financial statements of the Association have been prepared on the accrual basis of accounting. 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, 2015 AND 2014

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 years ended December 31, 2015 and 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 years ended December 31, 2015 and 2014, the Association did not incur any 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. Depreciation expense for the years ended December 31, 2015 and 2014 was \$924 and \$924, respectively.

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, 2015 AND 2014

NOTE 2 – NATURE OF ASSOCIATION

The Aquavista of Panama City Beach Owners Association, Inc. is a not for profit homeowners association (not a non-profit 501c Organization) that 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 each financial institution. At December 31, 2015 and 2014, the Association had \$52,429 and \$428,141, respectively, 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:

	<u>12/31/2015</u>	<u>12/31/2014</u>
Reserve Fund cash restricted to use in repairing or replacing identified common elements	\$342,377	\$435,697

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 years 2015 and 2014 required that \$ 97,721 and \$89,786, respectively, 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.

**AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 – RESERVE FUND (Continued)

During 2014, the Association engaged an independent consultant who conducted a study to estimate the remaining useful lives and the replacement costs of the various reserve components. The Association is funding reserves based on the study's estimates of current replacement costs, considering amounts previously accumulated in the Reserve Fund, for 2015 and 2014. The estimated replacement costs do not take into account the effects of inflation between the date of the study 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. Unit owners voted and approved to pool reserves during the year ended December 31, 2015.

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 operating expenses and reserves. If the operating (excluding reserves) budget determined by the Board of Directors should exceed 115% of the prior year's operating 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, 2015 and 2014, the quarterly assessment per unit type was \$1,467 and \$1,698 for two bedroom and three bedroom units.

NOTE 7 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

	<u>12/31/15</u>	<u>12/31/14</u>
Interest	\$642	\$555
Income taxes	0	0

NOTE 8 – NOTES PAYABLE

In December 2015, the Association contracted with Premium Assignment Corporation for the payment of the Association's umbrella, directors and officers, and property insurance policies. The note is secured by policy premiums and bears an interest rate of 6.08%. The note is payable in nine monthly installments of \$4,172. The entire outstanding balance of \$40,946 is due within one year.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 – NOTES PAYABLE (Continued)

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 \$4,330. The entire outstanding balance of \$46,827 was paid in 2015.

NOTE 9 – SPECIAL ASSESSMENTS

In 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. As of December 31, 2015, the project was complete and \$49,257 of related expenses was incurred. Assessments levied were \$23,448 greater than expenses incurred. The Association refunded owners \$17,552 and the remaining excess assessments at year end were retained by the Association for use in the succeeding year.

In 2015, the Association levied a special assessment in the amount of \$79,716 for repairs related to the fire and city building department inspections and the rebuild of the poolside deck stairs. As of December 31, 2015, the project was complete and \$78,681 of related expenses was incurred. Assessments levied were \$1,035 greater than expenses incurred. The remaining excess assessments at year end were retained by the Association for use in the succeeding year.

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, 2015 and 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.

NOTE 11 – MANAGEMENT AGREEMENTS

In 2013, the Association entered into a contract with GulfView Properties to manage the Association and property of Aquavista. The term is for five years beginning on October 5, 2013 and ending on October 5, 2018. The Association grants GulfView Properties the exclusive use of the onsite office space located at the pool deck area between the East and West Tower.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 11 – MANAGEMENT AGREEMENTS (Continued)

GulfView Properties can terminate this agreement for cause by a ninety day written notice to the Association. The Association can terminate this agreement for cause if GulfView Properties fails to conform to the agreement, where the Association will give notice of such failure and give GulfView Properties an additional 30 calendar days (“correction period”) to correct and/or complete the requirement. If GulfView Properties fails to meet the requirements or specifications of the agreement at the end of the correction period, then either of the following actions can be taken: 1.) the correction period may be extended for a period of time to be determined by the Association, or 2). The Association can terminate the entire agreement with a ninety days written notice to GulfView Properties.

The management fee for GulfView Properties’ services is \$2,200 per month, which increases by 2% annually after the first year of the agreement. The Association will pay GulfView Properties all expenses associated with GulfView Properties’ employees that work at the property, including but not limited to, wages, benefits, uniforms, training, certification, office supplies, and mileage reimbursement. GulfView Properties also charges the Association additional charges for the following:

- a.) Reimbursement for reasonable out-of-pocket expenses made on behalf of the Association.
- b.) Photocopies required in the management of the Association.
- c.) The Association will be charged \$200 annually for office supplies due January 1st of each year.
- d.) Postage for mass mailings to owners (i.e. meeting notices, elections, invoices, etc....)
- e.) Hourly rate of \$50 for the attendance of Board of Director meetings that extend beyond two hours.
- f.) Hourly rate of \$100 for an appearance in court or preparation of lawsuits on behalf of the Association.
- g.) Fee for one half (1.5) percent of the total project cost for the additional oversight and coordination of major construction or renovation projects or disaster repair projects.
- h.) Fee of \$100 for the processing of resale and refinancing information and estoppels letters.
- i.) Special assessment processing at \$2.50 per unit per assessment payment throughout the payment term of the assessment.
- j.) Administrative fees for production and inspection of records by Association members.
- k.) Administrative fees for litigation support services.
- l.) Affidavit of mailing and notary services at \$20.
- m.) Additional accounting services (i.e. Audit services, manual check processing, etc.)
- n.) Violation letters at \$5 each.
- o.) Delinquent account reminder letters at \$10 each, collection demand letters at \$50 each, attorney transfer packages on collection matters at \$125 each, small claims filings at \$175 each, and insurance claims at \$175 each.
- p.) Charge, collect and retain NSF check costs as authorized by applicable law.
- q.) If necessary, a charge for a business tax receipt, occupational licenses or similar charge related to the performance of services for the Association.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 11 – MANAGEMENT AGREEMENTS (Continued)

In 2013, the Association also entered into a contract with GulfView Properties to provide pool maintenance and cleaning services on the property for a period of one year with automatic renewal for additional one year terms, provided, however, that either party may cancel the agreement at any during the term or any renewal terms of the agreement with or without cause upon 30 days written notice to the other party. The fee for services is payable in monthly installments of \$1,000 payable on or before the fifteenth of each month.

The following charges were paid to GulfView Properties for the years ending December 31, 2015 and 2014:

	<u>12/31/15</u>	<u>12/31/14</u>
Management fee	\$ 26,400	\$ 26,400
Maintenance personnel payroll costs	76,920	81,765
Maintenance personnel mileage reimbursement	1,000	970
Reimbursement of out-of-pocket expenses	7,523	8,550
Photocopies	1,843	1,788
Office supplies	200	200
Postage	2,041	1,960
Board meetings	1,313	3,475
Project management fees	0	4,821
Special assessment processing	630	480
Records requests	2,950	5,350
Filing claims	0	350
Website	300	300
Pool services	12,000	12,000
Total charges	<u>\$ 133,120</u>	<u>\$ 148,409</u>

Subsequent to year end, the Association gave written notice to terminate its contracts with Gulfview Properties for management and pool services. Termination date for the Association and property management agreement is effective June 7, 2016.

NOTE 12 – WIND INSURANCE DEDUCTIBLE

For the year 2015, the Association's wind insurance policy carried deductibles as follows: 3% for named storms, \$25,000 for all other wind, and \$5,000 for all other perils.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 13 – CONTRACTS AND OBLIGATIONS

On June 1, 2014 the Association entered into a contract with Comcast for the installation, maintenance and operation of a broadband communications system for the premises of Aquavista property. The agreement is for a term of 5 years and will be automatically renewed for successive periods of 2 years unless either party provides the other with a minimum 60 days notice of its intention not to renew at the end of the then current term.

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During 2014, insurance proceeds from a filed claim were received and deposited into the operating fund cash account. The proceeds were recorded, for the entire amount, as revenue in the operating fund. A portion of those proceeds in the amount of \$11,682 were an insurance reimbursement for reserve expenditures incurred and paid in 2014. A prior period adjustment has been made to record the insurance proceeds revenue in the reserve fund – mechanical and increase the due from operating fund and due to reserve fund accounts as of December 31, 2014.

NOTE 15 – SUBSEQUENT EVENTS

The Association did not have any subsequent events requiring disclosure or recording in these financial statements through May 10, 2016 which is the date these financial statements were issued.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
OPERATING FUND
YEAR ENDED DECEMBER 31, 2015

	Actual	Budget (Unaudited)	Variance- Favorable (Unfavorable)
Revenues:			
Assessments - operating	\$ 421,063	\$ 421,063	\$ 0
Beach service	3,500	3,500	0
Insurance claim proceeds	3,917		3,917
Finance charges	3,796	500	3,296
Miscellaneous income	1,850		1,850
Work orders and labor	228		228
Total revenues	<u>434,354</u>	<u>425,063</u>	<u>9,291</u>
Expenses:			
Accounting	8,925	10,000	1,075
Administrative fees - Gulfview	4,893		(4,893)
Bad debt expense	11,674		(11,674)
Building maintenance	17,289	21,000	3,711
Cable	51,510	50,040	(1,470)
Elevator	21,688	30,000	8,312
Grounds maintenance	3,320	2,000	(1,320)
Insurance	66,546	63,332	(3,214)
Interest	642	500	(142)
Legal fees	18,622	4,000	(14,622)
Licenses and fees	1,444	1,400	(44)
Maintenance mileage	1,000	800	(200)
Maintenance staff	76,920	72,100	(4,820)
Maintenance supplies	6,902	9,100	2,198
Management fee	26,400	26,400	0
Meeting expense	547	500	(47)
Miscellaneous	179	110	(69)
Office supplies and postage	4,206	2,406	(1,800)
Parking garage	4,414	2,000	(2,414)
Pest control	6,226	5,875	(351)
Pool maintenance	13,913	16,000	2,087
Security	25,184	17,000	(8,184)
Taxes	1,055	200	(855)
Telephone	5,777	5,000	(777)
Utilities	86,445	84,500	(1,945)
Website	300	300	0
Total expenses before depreciation expense	<u>466,021</u>	<u>424,563</u>	<u>(41,458)</u>
Depreciation expense	<u>924</u>		<u>(924)</u>
Total expenses	<u>466,945</u>	<u>424,563</u>	<u>(42,382)</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (32,591)</u>	<u>\$ 500</u>	<u>\$ (33,091)</u>

See independent auditors' report.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
SCHEDULE OF CHANGES IN FUND BALANCE - BY COMPONENT
RESERVE FUND
YEAR ENDED DECEMBER 31, 2015

Components	Beginning Balance* 1/1/2015	Additions	Expenditures	Interest Earned	Ending Balance 12/31/2015	**Pooled Ending Balance 12/31/2015
Clubhouse roof	\$ 19,285	\$ 3,064	\$ -		\$ 22,349	
Common area	10,521	5,349	(14,654)		1,216	
Concrete	47,564	10,163	-		57,727	
Elevator - cable	21,648	7,347	(24,840)		4,155	
Elevator - hydraulic	93,381	17,806	(21,799)		89,388	
Handrails, walkway	115,966	12,418	(37,005)		91,379	
Mansards	40,659	584	(3,750)		37,493	
Mechanical	19,637	14,018	(10,925)		22,730	
Paint	51,696	19,823	(38,700)		32,819	
Pool, hot tub, sauna	13,921	5,836	(3,396)		16,361	
Roof	13,989	1,313	-		15,302	
Other	-	-	-		-	
Interest earned	9,748			\$ 137	9,885	
Totals	<u>\$ 458,015</u>	<u>\$ 97,721</u>	<u>\$ (155,069)</u>	<u>\$ 137</u>	<u>\$ 400,804</u>	<u>\$ 400,804</u>

* Beginning reserve fund balance - mechanical was restated as of January 1, 2015

** Unit owners voted and approved to pool reserves during the year ended December 31, 2015

See independent auditors' report.

AQUAVISTA OF PANAMA CITY BEACH OWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
YEAR ENDED DECEMBER 31, 2015

The Board of Directors annually reviews the major components of common property. As a part of this review, the Association engaged an independent consultant who conducted a study during 2014 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the Reserve Fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. The estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The following table is based on the study and presents significant information about the components of common property.

<u>Components**</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>*Pooled Balance at 12/31/15</u>	<u>Amount Required for Full Funding for 2016</u>
Exterior building elements	0-23	\$ 1,552,075		
Building services elements	0-26	779,300		
Property site elements	0-3	78,900		
Clubhouse elements	0-12	134,340		
Pool elements	0-23	65,400		
Garage elements	0-9	226,295		
Reserve study update with site visit	1	4,300		
		<u>\$ 2,840,610</u>	<u>\$ 400,804</u>	<u>\$ 178,400</u>

* Unit owners voted and approved to pool reserves during the year ended December 31, 2015

**Based on reserve study component categories

See independent auditors' report.