

**GARRETT'S RUN CONDOMINIUM
ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**WILLIAM A. JACKSON & CO.
Certified Public Accountants
905 Sarno Road
Melbourne, Florida 32935-5019**

GARRETT'S RUN CONDOMINIUM ASSOCIATION, INC.
TABLE OF CONTENTS
DECEMBER 31, 2016

	<u>Page</u>
Accountant's Report	1 - 2
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenses & Changes In Fund Balance	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8
Supplementary Schedule	10

William A. Jackson & Company
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Garrett's Run Condominium Association, Inc.

We have reviewed the accompanying financial statements of Garrett's Run Condominium Association, Inc., which comprise the balance sheet as of December 31, 2016, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required 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 10 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, which 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 not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

May 12, 2017

A handwritten signature in cursive script that reads "William A. Jackson & Co, CPAs". The signature is written in dark ink and is positioned above the printed name of the firm.

William A. Jackson & Company
Melbourne, Florida

GARRETT'S RUN CONDOMINIUM ASSOCIATION, INC
BALANCE SHEET
DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets:			
Cash, including interest-bearing deposit	\$ 168,351	\$ 158,532	\$ 326,883
Assessments Receivable, net of Allowance for Bad Debt of \$8,197	-	-	-
Prepaid Expenses	968	-	968
Prepaid Insurance	27,838	-	27,838
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 197,157</u>	<u>\$ 158,532</u>	<u>\$ 355,689</u>
 Liabilities and Fund Balance:			
Liabilities			
Accounts Payable	\$ 24,000	\$ -	\$ 24,000
Prepaid Assessments	19,728	-	19,728
Note Payable - Insurance	27,780	-	27,780
Term Loan - Valley National Bank	344,712	-	344,712
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	416,220	-	416,220
Fund balance	<u>(219,063)</u>	<u>158,532</u>	<u>(60,531)</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 197,157</u>	<u>\$ 158,532</u>	<u>\$ 355,689</u>

See accompanying notes and accountants review report.

GARRETT'S RUN CONDOMINIUM ASSOCIATION, INC
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Total
Revenues			
Assessments	\$ 426,648	\$ 106,152	\$ 532,800
Other Income	11,649	-	11,649
Recovered Bad Debts	39,789	-	39,789
Interest Income	45	499	544
Total Revenues	<u>478,131</u>	<u>106,651</u>	<u>584,782</u>
Expenses			
Maintenance - Building	401,422	-	401,422
Maintenance - Lawn & Grounds	36,827	-	36,827
Maintenance - Irrigation	7,793	-	7,793
Maintenance - Pool	7,166	-	7,166
Maintenance - Leased Payroll	84,754	-	84,754
Maintenance - Fire Alarm/Security	7,898	-	7,898
Insurance	66,975	-	66,975
Interest Expense	5,108	-	5,108
Licenses & Permits	541	-	541
Major Repairs & Replacements	-	152,169	152,169
Miscellaneous	2,318	-	2,318
Professional Fees	27,205	-	27,205
Office Expense	2,717	-	2,717
Pest Control	8,347	-	8,347
Utilities - Cable	61,264	-	61,264
Utilities - Electric	11,904	-	11,904
Utilities - Water & Sewer	1,997	-	1,997
Utilities - Trash Removal	17,103	-	17,103
Utilities - Telephone	3,154	-	3,154
Total Expenses	<u>754,493</u>	<u>152,169</u>	<u>906,662</u>
Excess (Deficit) of Revenues Over Expenses	(276,362)	(45,518)	(321,880)
Fund Balance, January 1, 2016	27,088	234,261	261,349
Cash Transfer	30,211	(30,211)	-
Fund Balance, December 31, 2016	<u>\$ (219,063)</u>	<u>\$ 158,532</u>	<u>\$ (60,531)</u>

See accompanying notes and accountants review report.

GARRETT'S RUN CONDOMINIUM ASSOCIATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:			
Excess of revenues over expenses:	\$ (276,362)	\$ (45,518)	\$ (321,880)
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used) in operating activities:			
(Increase) Decrease in:			
Decrease in assessments receivable	13,652	-	13,652
Decrease in prepaid insurance	1,810	-	1,810
Increase (Decrease) in:			
Decrease in insurance note payable	(668)	-	(668)
Increase in accounts payable	12,620	-	12,620
Increase in prepaid assessments	5,358	-	5,358
Net cash provided (used) by operating activities:	<u>(243,590)</u>	<u>(45,518)</u>	<u>(289,108)</u>
Cash flows from financing activities:			
Increase in long term debt	350,000	-	350,000
Principal paid on long term debt	<u>(5,288)</u>	<u>-</u>	<u>(5,288)</u>
Net cash provided (used) by financing activities:	344,712	-	344,712
Cash at January 1, 2016	37,018	234,261	271,279
Cash Transfer	<u>30,211</u>	<u>(30,211)</u>	<u>-</u>
Cash at December 31, 2016	<u><u>\$ 168,351</u></u>	<u><u>\$ 158,532</u></u>	<u><u>\$ 326,883</u></u>

No Federal or state income taxes were paid in 2016.
Interest paid on the Valley National bank loan in 2016 was \$5,108.

GARRETT'S RUN CONDOMINIUM ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1 – NATURE OF ORGANIZATION

Garrett's Run Condominium Association, Inc. (the Association) was incorporated as a not-for-profit corporation in the State of Florida on July 17, 1987. Association is responsible for the operation and maintenance of the common property within the development. The development is located in West Melbourne, Florida, and consists of 120 individual residential lots, a clubhouse, and a pool area.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The Association's 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 the principles of 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 the day-to-day activities of the Association, including the general management and upkeep of the common property.

Replacement Fund - this fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Association considers all unrestricted highly liquid investments to be cash equivalents, including time deposits and certificates of deposit.

Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses. There is a monthly regular membership assessment. For the year ended December 31, 2016, the operating assessment was \$370 per month per unit. Of that amount, \$73.72 per month per unit was allocated to the reserve fund. In 2017, the monthly assessment will be \$380 per month per unit, and \$47.89 will be set aside for the reserve fund.

Late Fee Policy

The Association's policy is to apply a late fee of \$25 on the properties of unit owners whose assessments are 11 days or more delinquent. The Association may also charge interest at the rate of 18% per year, until the assessments are paid in full. Any excess assessments at year-end are retained by the Association for use in future years.

GARRETT'S RUN CONDOMINIUM ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Actual results may differ from estimated amounts.

Income Taxes

The Association may be taxed either as a homeowner's association or as a regular corporation. For the year ended December 31, 2016, the Association elected to be taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates. No income taxes were incurred for the year ended December 31, 2016.

Property & Equipment

Real property and common areas acquired from the developer and related improvements to such property 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. As a result, improvements to the real property and common areas are expensed as incurred.

NOTE 3 – LINE OF CREDIT

In 2016 the Association was given a line of credit for 350,000 by the Valley National Bank. This line of credit had a 6 month draw period followed by a 60 month fixed rate term loan. The term loan effective Nov 5, 2016, has an equal monthly installment of \$6,454.35 with interest at 4%. Principal payments under this loan for the next five years are as follows:

Years ended December 31,	Outstanding Debt
2017	\$ 64,844
2018	67,486
2019	70,235
2020	73,097
2021	69,050
	<u>\$ 344,712</u>

GARRETT'S RUN CONDOMINIUM ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. The funds are held primarily in interest-bearing accounts. The Association's Board of Directors has estimated the remaining useful lives and replacements costs of common property components.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on current estimates of replacement costs considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed however, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

<u>Description</u>	<u>Balance</u> 01/01/16	<u>Member</u> <u>Assessments</u>	<u>Interest</u> <u>Income</u>	<u>Transfers</u> <u>Reallocations</u>	<u>Disburse-</u> <u>ments</u>	<u>Balance</u> 12/31/16
Stairwells & Landings	\$ 51,173	\$ 45,300	\$ -	\$ (50,000)	\$ 56,954	\$ (10,481)
Roofing	2,025	5,004	-	-	-	7,029
Painting	46,330	10,008	-	(10,000)	55,485	(9,147)
Walls & Stucco	-	10,008	-	-	-	10,008
Paving	64,003	2,004	-	-	26,330	39,677
Plumbing	18,127	1,500	-	-	-	19,627
Fire Alarm System	17,159	10,008	-	-	-	27,167
Clubhouse	6,149	6,000	-	-	-	12,149
Racquetball Courts	3,492	-	-	-	-	3,492
Office Upgrades	300	300	-	-	-	600
Golf Cart	624	-	-	-	-	624
Deferred Maintenance	9,196	10,008	-	29,789	13,400	35,593
Pool	(296)	5,004	-	-	-	4,708
Tennis Courts	5,496	-	-	-	-	5,496
Irrigation	8,997	1,008	-	-	-	10,005
Interest on Reserve Cash	1,486	-	499	-	-	1,985
Totals	\$ 234,261	\$ 106,152	\$ 499	\$ (30,211)	\$ 152,169	\$ 158,532

SUPPLEMENTARY INFORMATON

GARRETT'S RUN CONDOMINIUM ASSOCIATION, INC
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
YEAR ENDED DECEMBER 31, 2016

The Association's Board of Directors along with management has estimated the remaining useful lives and the replacement costs of common property using the straight line reserve method. Estimated future replacement costs were calculated using estimates for the repairs of property based on their knowledge and current history of the complex. That being said, in 2016 the Association decided to take out a bank loan to make needed major repairs to the buildings via the Operating fund. The following table, however, is based on management's estimates, and presents significant information about the components of common property still being reserved for in the Reserve fund.

The following is based on the knowledge and current history of the complex, and presents significant information about the components of common property.

<u>Description</u>	<u>Average Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>	<u>Current Replacement Fund</u>	<u>2017 Proposed Budgeting Requirements</u>
Stairwells & Landings	25 years	\$ 934,070	\$ (10,481)	\$ 24,984
Roofing	15 - 18 years	302,000	7,029	9,600
Painting	7 years	125,000	(9,147)	15,000
Walls & Stucco	-	-	10,008	-
Paving	8 - 9 years	721,110	39,677	1,008
Plumbing	10 years	85,000	19,627	-
Fire Alarm System	10 years	176,906	27,167	-
Clubhouse	3 - 4 years	127,200	12,149	6,000
Racquetball Courts	3 - 4 years	-	3,492	-
Office Upgrades	-	3,500	600	-
Golf Cart	1 year	-	624	-
Deferred Maintenance	10 years	212,000	35,593	10,464
Pool	13 years	90,100	4,708	900
Tennis Courts	3 years	35,880	5,496	-
Irrigation	8 years	50,000	10,005	1,008
Interest	-	-	1,985	-
Totals		<u>\$ 2,862,766</u>	<u>\$ 158,532</u>	<u>\$ 68,964</u>