

TUSCANY COMMUNITY ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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INDEPENDENT AUDTORS' REPORT

To the Board of Directors
Tuscany Community Association

I have audited the accompanying balance sheet of Tuscany Community Association, Inc. as of December 31, 2016, and the related statement of income and expenses and changes in funds balance, and cash flows for the year then ended. These financial statements are the responsibility of the Association's Management Company and Board Members. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted this audit in accordance with auditing standards generally accepted in the United States of America. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management Company and Board Members, as well as, evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Tuscany Community Association, Inc. as of December 31, 2016, and the results of its operations and its cash flows in conformity with accounting principles generally accepted in the United States of America.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not to be part of the basic financial statements. I have compiled on note 6 the supplementary information from data that is the representation of the Management Company and Board Members of Tuscany Community Association, Inc., without audit or review.



Pedro J. Fernandez, C.P.A.

Miami, Florida

January 31, 2017

**TUSCANY COMMUNITY ASSOCIATION INC.
BALANCE SHEET
DECEMBER 31, 2016**

ASSETS

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2016 Total</u>
Cash	\$ 183,299	\$ 120,562	\$ 303,861
Accounts Receivable	27,810	-0-	27,810
Due from Operating to Security	900	-0-	900
Prepaid Expenses (Principally Insurance)	13,468	-0-	13,468
Due to/from Funds	34,872	(34,872)	-0-
Utility Deposit	8,981	-0-	8,981
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Total Assets	\$ 269,330	\$ 85,690	\$ 355,020
	=====	=====	=====

LIABILITIES AND FUNDS BALANCE

Liabilities

Accounts Payable	\$ 26,447	\$ -0-	\$ 26,447
Security Deposits Payable	47,100	-0-	47,100
Prepaid Maintenance Fee	7,650	-0-	7,650
Insurance Loan Payable	11,331	-0-	11,331
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Total Liabilities	\$ 92,528	\$ -0-	\$ 92,528
Fund Balance	176,802	85,690	262,492
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Total Liabilities And Funds Balance	\$ 269,330	\$ 85,690	\$ 355,020
	=====	=====	=====

**READ INDEPENDENT AUDITOR'S REPORT
AND ACCOMPANYING NOTES**

**TUSCANY COMMUNITY ASSOCIATION INC.
STATEMENT OF ASSESSMENTS, REVENUES AND EXPENDITURES
AND CHANGES IN FUNDS BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2016 Total</u>
<u>ASSESSMENTS AND REVENUES</u>			
Special Assessments Income	\$ 27,810	\$ -0-	\$ 27,810
Assessments Income	538,537	-0-	538,537
Replacement Assessments	-0-	17,663	17,663
Interest Income	72	153	225
Pool Rent Income	240	-0-	240
Gate Registration Income	6,500	-0-	6,500
Fines Income	207	-0-	207
	-----	-----	-----
	573,366	17,816	591,182
<u>EXPENDITURES</u>			
Replacement Fund	-0-	17,816	17,816
Utilities	180,536	-0-	180,536
Contracted Services	235,735	-0-	235,735
Maintenance & Repairs	122,834	-0-	122,834
Administrative Expenses	35,733	-0-	35,733
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Total Expenditures	574,838	17,816	592,654
EXCESS OF EXPENDITURES OVER ASSESSMENTS AND REVENUES	(1,472)	-0-	(1,472)
TRANSFERS TO REPLACEMENT FUND	-0-	17,816	17,816
PAYMENTS FROM REPLACEMENT FUND		(33,400)	(33,400)
FUNDS BALANCE – BEGINNING	178,274	101,274	279,548
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FUNDS BALANCE – ENDING	\$ 176,802	\$ 85,690	\$ 262,492
	=====	=====	=====

**READ INDEPENDENT AUDITOR'S REPORT
AND ACCOMPANYING NOTES**

**TUSCANY COMMUNITY ASSOCIATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows from Operating Activities

Net Operating Loss		\$(1,472)
<i>Changes in operating assets and liabilities:</i>		
Decrease in accounts payable	\$(1,181)	
Increase in Assessments Receivable	(27,810)	
Increase in Prepaid Expenses	(1,495)	
Increase in Replacement Fund	17,816	
Increase in Insurance Loan Payable	1,704	
Increase in Prepaid Maintenance Fee	7,650	
Increase in Due from Operating to Security	(900)	

Total Adjustments		(4,216)

NET CASH DECREASE IN OPERATING ACTIVITIES		(5,688)
 <u>Cash Used in Financing Activities</u>		
Security Deposits Increase	11,700	
Payments from Replacement Fund	(33,400)	

NET CASH USED IN FINANCING ACTIVITIES		(21,700)

NET DECREASE IN CASH		(27,388)
CASH – JANUARY 1, 2016		331,249

CASH – DECEMBER 31, 2016		\$ 303,861
		=====

**READ INDEPENDENT AUDITOR'S REPORT
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SUPPLEMENTAL INFORMATION

**TUSCANY COMMUNITY ASSOCIATION INC.
COMPARATIVE STATEMENT OF ACTUAL AND BUDGETED
ASSESSMENTS, REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Actual	Budget	Variance Actual Favorable or (Unfavorable) Budget
<u>ASSESSMENTS AND REVENUES</u>			
Special Assessment Income	\$ 27,810	\$ -0-	\$ 27,810
Assessment Income	538,537	538,537	-0-
Replacement Assessments	17,663	17,663	-0-
Interest Income	225	-0-	225
Pool Rent Income	240	-0-	240
Gate Registration Income	6,500	3,500	3,000
Fines Income	207	-0-	207
	-----	-----	-----
Total	591,182	559,700	31,482
<u>EXPENDITURES</u>			
Replacement Fund:			
Transfers	17,663	17,663	-0-
Interest	153	-0-	(153)
	-----	-----	-----
Total Replacements Fund	17,816	17,663	(153)
Utilities:			
Electricity	49,254	53,365	4,111
Waste Pick Up Service	127,241	127,000	(241)
Water & Sewer	2,360	2,800	440
Telephone Expense	1,681	1,400	(281)
	-----	-----	-----
Total Utility Expenses	180,536	184,565	4,029
Contracted Services:			
Security	101,793	90,000	(11,793)
Management Fees	30,000	36,000	6,000
Lawn Maintenance	63,600	58,000	(5,600)
Pool Service & Supplies	6,625	7,200	575
Janitorial Services	32,217	30,000	(2,217)
Pest Control	1,500	1,500	-0-
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Total Contracted Services	235,735	222,700	(13,035)

(Continued)

**READ INDEPENDENT AUDITOR'S REPORT
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**TUSCANY COMMUNITY ASSOCIATION INC.
COMPARATIVE STATEMENT OF ACTUAL AND BUDGETED
ASSESSMENTS, REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

(Continued)

	Actual	Budget	Variance Favorable or (Unfavorable) Budget
<u>REPAIRS AND MAINTENANCE</u>			
Golf Car Expense	\$ 1,084	\$ 2,300	\$ 1,216
Special Project	11,482	10,000	(1,482)
General Repairs & Maintenance	25,983	25,000	(983)
Supplies	5,913	6,000	87
Fence Repairs	3,850	2,000	(1,850)
Camera Expense	8,572	2,000	(6,572)
Electrical Repairs	10,217	2,500	(7,717)
Hurricane Clean Up	-0-	3,300	3,300
Parties & Events	5,743	3,500	(2,243)
Bulk Pick Ups	7,250	9,000	1,750
Fountain Maintenance	2,452	2,000	(452)
Lake Maintenance	2,613	4,000	1,397
Fertilizer	-0-	4,000	4,000
New Plants & Tree Replacement	10,564	4,500	(6,064)
Tree Trimming	10,000	10,000	-0-
Irrigation Maintenance & Sprinklers	5,000	5,000	-0-
Gate Repairs & Maintenance	9,611	10,000	389
Playground Maintenance	2,500	2,000	(500)
Total Repairs & Maintenance	\$ 122,834	\$ 107,100	\$ (15,734)

(Continued)

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**TUSCANY COMMUNITY ASSOCIATION INC.
COMPARATIVE STATEMENT OF ACTUAL AND BUDGETED
ASSESSMENTS, REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

(Continued)

ADMINISTRATIVE EXPENSES

Professional Fees	4,646	3,000	(1,646)
Legal Fees	950	2,000	1,050
Insurance	19,328	18,000	(1,328)
Postage & Delivery	1,248	1,000	(248)
Audit Fees	3,000	3,000	-0-
Corporate Annual Report	61	72	11
Licenses & Permits	500	600	100
Registration Processing Fee	6,000	-0-	(6,000)
	-----	-----	-----
Total Administrative Expenses	35,733	27,672	(8,061)
Total Expenditures	592,654	559,700	(32,954)
EXCESS OF EXPENDITURES OVER ASSESSMENTS AND REVENUES	\$ (1,472) =====	\$ -0- =====	\$(1,472) =====

**READ INDEPENDENT AUDITOR'S REPORT
AND ACCOMPANYING NOTES**

TUSCANY COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: Organization

Tuscany Community Association, Inc. is a statutory condominium incorporated in the State of Florida in 2005. The Association is responsible for maintaining and preserving of the common areas within the developments and consists of the following Associations:

- Tuscany No. 1 Condominium Association, Inc.
- Tuscany No. 2 Condominium Association, Inc.
- Tuscany No. 3 Condominium Association, Inc.
- Tuscany No. 4 Condominium Association, Inc.
- Tuscany No.5 Condominium Association, Inc.
- Tuscany No.6 Condominium Association, Inc.

NOTE 2: Summary of Significant Accounting Policies

Funding accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

Interest earned

Interest earned by each fund is allocated to the appropriate fund. Income taxes on the interest earned are paid from the operating fund.

Property and equipment

Common areas owned by the Association are reserved for the use and enjoyment of the owners and are required to be maintained under the Association's Declaration of Condominium. Accordingly, real property and common areas acquired from the Developer are not recorded in the financial records of the Association.

Use of estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Date of management's review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 30, 2017, the date the financial statements were available to be issued.

NOTE 3: Assessments

The annual budget and assessments of owners are determined by the board of directors. Assessments are levied against the unit owners for their proportionate share of common expenses and future major repairs and replacements. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods

NOTE 4: Concentration of Credit Risk

The Association maintains its cash in bank at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) The balances at times may exceed federally insured limits.

NOTE 5: Income Taxes

The Association may elect to be taxed as a regular corporation or as a condominium association under Internal Revenue Code Section 528. For the year ended December 31, 2016, the Association elected to file under Section 528. Under this election, the Association is generally taxed only on non-membership income, such as interest earnings, at applicable rates.

NOTE 6: Future Major Repairs and Replacements

Chapter 718 of the Florida statutes requires that funds be accumulated for the future major repairs and replacements. The Association conducted a study to estimate the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study. The Association is funding for future major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Activity in the replacement fund for the year ending December 31, 2016 is as follows:

	Balance 12/31/2015	Additions	Charges	Balance 12/31/2016
Roof Replacement Cabana	\$ 4,620	\$ 530	\$ -0-	\$ 5,150
Asphalt Resurfacing	51,263	8,831	(29,500)	30,594
Painting Clubhouse	824	530	(3,900)	(2,546)
Pool Marcite	36,216	5,299	-0-	41,515
Interest	2,752	153	-0-	2,905
Storm Drain Cleaning	5,600	2,473	-0-	8,072
	<u>\$101,274</u>	<u>\$ 17,816</u>	<u>\$(33,400)</u>	<u>\$ 85,690</u>
	=====	=====	=====	=====

NOTE 7: Insurance Deductible

The Association's insurance policy contains a deductible. The Association is responsible for losses up to this amount and may increase assessments, pass special assessments, obtain loans or delay repairs and replacement until funds are available.

SUPPLEMENTARY INFORMATION

TUSCANY COMMUNITY ASSOCIATION, INC.
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
DECEMBER 31, 2016

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	Annual Funding Requirement	Replacement Fund Balance at December 31, 2016
Roof Replacement-Cabana	21	\$ 15,000	\$ 530	\$ 5,150
Asphalt Resurfacing	11	120,000	8,831	30,594
Painting Clubhouse	5	3,000	530	(2,546)
Pool Marcite	1	40,000	5,299	41,515
Interest			153	2,905
Storm Drain Cleaning	1	7,000	2,473	8,072
Totals		\$ 185,000	\$ 17,816	\$ 85,690
		=====	=====	=====

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