

**TUSCANY COMMUNITY ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

# PEDRO J. FERNANDEZ

CERTIFIED PUBLIC ACCOUNTANT  
MEMBER FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

5755 WEST FLAGLER STREET, SUITE 209  
MIAMI, FLORIDA 33144

TELEPHONE  
(305) 302-1808

## INDEPENDENT AUDITORS' 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, 2018, 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, 2018, 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

February 11, 2019

**TUSCANY COMMUNITY ASSOCIATION INC.  
BALANCE SHEET  
DECEMBER 31, 2018**

**ASSETS**

	<b><u>Operating Fund</u></b>	<b><u>Replacement Fund</u></b>	<b><u>2018 Total</u></b>
Cash	\$ 260,514	\$ 131,237	\$ 391,751
Prepaid Expenses (Principally Insurance)	12,955	-0-	12,955
Due to/from Funds	3,894	( 3,894)	-0-
Utility Deposit	8,981	-0-	8,981
	-----	-----	-----
Total Assets	\$ 286,344	\$ 127,343	\$ 413,687
	=====	=====	=====

**LIABILITIES AND FUNDS BALANCE**

**Liabilities**

Accounts Payable	\$ 29,621	\$ -0-	\$ 29,621
Security Deposits Payable	74,601	-0-	74,601
Insurance Loan Payable	10,994	-0-	10,994
	-----	-----	-----
Total Liabilities	\$ 115,216	\$ -0-	\$ 115,216
Fund Balance	171,128	127,343	298,471
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Total Liabilities And Funds Balance	\$ 286,344	\$ 127,343	\$ 413,687
	=====	=====	=====

**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, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2018 Total</u>
<b><u>ASSESSMENTS AND REVENUES</u></b>			
Dog Registration	\$ 1,200	\$ -0-	\$ 1,200
Assessments Income	613,272	-0-	613,272
Replacement Assessments	-0-	20,796	20,796
Interest Income	40	82	122
Gate Registration Income	9,425	-0-	9,425
Reimbursed Expenses	3,000	-0-	3,000
	-----	-----	-----
	626,937	20,878	647,815
<b><u>EXPENDITURES</u></b>			
Replacement Fund	-0-	20,878	20,878
Utilities	209,827	-0-	209,827
Contracted Services	237,503	-0-	237,503
Maintenance & Repairs	95,231	-0-	95,231
Administrative Expenses	79,302	-0-	79,302
	-----	-----	-----
Total Expenditures	621,863	20,878	642,741
EXCESS OF ASSESSMENTS AND REVENUES OVER EXPENDITURES	5,074	-0-	5,074
TRANSFERS TO REPLACEMENT FUND	-0-	20,796	20,796
INTEREST INCOME		82	82
PRIOR PERIOD ADJUSTMENTS	2,904	( 4)	2,900
FUNDS BALANCE – BEGINNING	163,150	106,469	269,619
	-----	-----	-----
FUNDS BALANCE – ENDING	\$ 171,128	\$ 127,343	\$ 298,471
	=====	=====	=====

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

**TUSCANY COMMUNITY ASSOCIATION INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Cash Flows from Operating Activities**

Net Income		\$ 5,074
<i>Changes in operating assets and liabilities:</i>		
Decrease in accounts payable	\$( 38,294)	
Increase in Prepaid Expenses	( 430)	
Increase in Replacement Fund	20,878	
Increase in Insurance Loan Payable	769	
Decrease in Due from Operating to Security	4,010	
	-----	
Total Adjustments		( 13,067)
		-----
NET CASH DECREASE BY OPERATING ACTIVITIES		( 7,993)

**Cash Provided by Financing Activities**

Security Deposits Increase	12,300	
Prior Period Adjustments	2,900	
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NET CASH PROVIDED BY FINANCING ACTIVITIES		15,200
		-----
NET INCREASE IN CASH		7,207
CASH – JANUARY 1, 2018		384,544
		-----
CASH – DECEMBER 31, 2018		\$ 391,751
		=====

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

**SUPPLEMENTAL INFORMATION**

**TUSCANY COMMUNITY ASSOCIATION INC.  
COMPARATIVE STATEMENT OF ACTUAL AND BUDGETED  
ASSESSMENTS, REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Actual	Budget	Variance Actual Favorable or (Unfavorable) Budget
<b><u>ASSESSMENTS AND REVENUES</u></b>			
Dog Registration	\$ 1,200	\$ -0-	\$ 1,200
Assessment Income	613,272	613,104	168
Replacement Assessments	20,796	20,796	-0-
Interest Income	122	-0-	122
Gate Registration Income	9,425	3,500	5,925
Reimbursed Expenses	3,000	-0-	3,000
	-----	-----	-----
Total	647,815	637,400	10,415
<b><u>EXPENDITURES</u></b>			
Replacement Fund:			
Transfers	20,796	20,796	-0-
Interest	82	-0-	( 82)
	-----	-----	-----
Total Replacements Fund	20,878	20,796	( 82)
Utilities:			
Electricity	56,442	57,500	1,058
Waste Pick Up Service	149,090	132,000	( 17,090)
Water & Sewer	2,154	3,400	1,246
Telephone Expense	2,141	1,800	( 341)
	-----	-----	-----
Total Utility Expenses	209,827	194,700	( 15,127)
Contracted Services:			
Security	94,942	94,000	( 942)
Management Fees	30,000	36,000	6,000
Lawn Maintenance	67,932	62,000	( 5,932)
Pool Service & Supplies	10,010	7,200	( 2,810)
Janitorial Services	33,429	38,000	4,571
Pest Control	1,190	6,000	4,810
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Total Contracted Services	237,503	243,200	5,697

(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, 2018**

(Continued)

	Actual	Budget	Variance Favorable or (Unfavorable) Budget
<b><u>REPAIRS AND MAINTENANCE</u></b>	<u>          </u>	<u>          </u>	<u>          </u>
Golf Car Expense	\$ 2,385	\$ 4,000	\$ 1,615
General Repairs & Maintenance	17,281	20,000	2,719
Supplies	5,293	6,000	707
Fence Repairs	-0-	4,000	4,000
Camera Expense	-0-	5,000	5,000
Electrical Repairs	1,930	2,500	570
Hurricane Clean Up	15,390	15,000	( 390)
Parties & Events	2,196	3,500	1,304
Bulk Pick Ups	15,520	9,000	( 6,520)
Fountain Maintenance	230	2,000	1,770
Lake Maintenance	4,035	4,000	( 35)
Fertilizer	-0-	4,000	4,000
New Plants & Tree Replacement	-0-	3,500	3,500
Tree Trimming	2,960	38,000	35,040
Irrigation Maintenance & Sprinklers	8,914	6,000	( 2,914)
Gate Repairs & Maintenance	11,737	10,000	( 1,737)
Playground Maintenance	7,360	5,000	( 2,360)
<b>Total Repairs &amp; Maintenance</b>	<b>\$ 95,231</b>	<b>\$ 141,500</b>	<b>\$ 42,269</b>

(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, 2018**

(Continued)

	<u>Actual</u>	<u>Budget</u>	<b>Variance Actual Favorable or (unfavorable) Budget</b>
<b><u>ADMINISTRATIVE EXPENSES</u></b>			
Reimbursed Expenses	73	-0-	( 73)
Bank Charges	210	-0-	( 210)
Professional Fees	16,405	3,000	( 13,405)
Legal Fees	31,457	2,000	( 29,457)
Insurance	18,648	25,532	6,884
Postage & Delivery	807	3,000	2,193
Audit Fees	3,000	3,000	-0-
Corporate Annual Report	122	72	( 50)
Licenses & Permits	650	600	( 50)
Registration Processing Fee	6,000	-0-	( 6,000)
Miscellaneous Expense	1,930	-0-	( 1,930)
	79,302	37,204	( 42,098)
<b>Total Administrative Expenses</b>	<b>79,302</b>	<b>37,204</b>	<b>( 42,098)</b>
<b>Total Expenditures</b>	<b>642,741</b>	<b>637,400</b>	<b>( 5,341)</b>
 <b>EXCESS OF ASSESSMENTS AND REVENUES OVER EXPENDITURES</b>	 <b>\$ 5,074</b> =====	 <b>\$ -0-</b> =====	 <b>\$ 5,074</b> =====

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

**TUSCANY COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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 February 11, 2019, 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, 2018, 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, 2018 is as follows:

	Balance 12/31/2017	Additions	Charges	Balance 12/31/2018
Roof Replacement Cabana	\$ 5,770	\$ 512	\$ -0-	\$ 6,282
Asphalt Resurfacing	40,932	18,607	-0-	59,539
Painting Clubhouse	( 1,926)	( 117)	-0-	( 2,043)
Pool Marcite	47,718	( 4,431)	-0-	43,287
Interest	3,008	82	-0-	3,090
Storm Drain Cleaning	10,967	-0-	-0-	10,967
Pavers	-0-	6,225	4	6,221
	<u>\$106,469</u>	<u>\$ 20,878</u>	<u>\$ 4</u>	<u>\$127,343</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, 2018**

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	Annual Funding Requirement	Replacement Fund Balance at December 31, 2018
Roof Replacement-Cabana	19	\$ 15,000	\$ 512	\$ 6,282
Asphalt Resurfacing	9	120,000	18,607	59,539
Painting Clubhouse	3	3,000	( 117)	( 2,043)
Pool Marcite	0	40,000	( 4,431)	43,287
Interest			82	3,090
Storm Drain Cleaning	0	7,000	-0-	10,967
Pavers			6,225	6,221
<b>Totals</b>		<b>\$ 185,000</b>	<b>\$ 20,878</b>	<b>\$ 127,343</b>
		=====	=====	=====

**READ INDEPENDENT AUDITOR'S REPORT**