

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5
OF ST. PETERSBURG, INC.**

FINANCIAL STATEMENTS

MARCH 31, 2017

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OF ST. PETERSBURG, INC.**

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.

We have audited the accompanying financial statements of PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC. (the 'Association'), which comprise the balance sheet as of March 31, 2017, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year 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 audit. We conducted our audit 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 PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC. as of March 31, 2017, and the results of its operations and its cash flows for the year 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 schedule of revenues and expenses - budget and actual 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 the information on future major repairs and replacements of common property 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 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.

Marsocci, Appleby + Company P.A

Marsocci, Appleby and Company, P. A.
Tampa, Florida
June 15, 2018

PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
BALANCE SHEET
MARCH 31, 2017

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 209,751	\$ 250,794	\$ 460,545
Assessments receivable, net	3,516	-	3,516
Prepaid expenses and other assets	37,156	-	37,156
TOTAL ASSETS	\$ 250,423	\$ 250,794	\$ 501,217
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued expenses	\$ 11,993	\$ -	\$ 11,993
Prepaid assessments	17,410	-	17,410
TOTAL LIABILITIES	29,403	-	29,403
Fund balances	221,020	250,794	471,814
TOTAL LIABILITIES AND FUND BALANCES	\$ 250,423	\$ 250,794	\$ 501,217

See independent auditors' report and notes to the financial statements.

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2017**

	Operating Fund	Replacement Fund	Total
REVENUE:			
Members' assessments	\$ 528,858	\$ 107,497	\$ 636,355
Rental income	9,360	-	9,360
Interest income	151	20	171
Other income	2,197	-	2,197
TOTAL REVENUES	<u>540,566</u>	<u>107,517</u>	<u>648,083</u>
EXPENSES:			
Administrative	165,452	-	165,452
Operating	347,122	240,269	587,391
TOTAL EXPENSES	<u>512,574</u>	<u>240,269</u>	<u>752,843</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	27,992	(132,752)	(104,760)
FUND BALANCES, beginning of year	<u>193,028</u>	<u>383,546</u>	<u>576,574</u>
FUND BALANCES, end of year	<u>\$ 221,020</u>	<u>\$ 250,794</u>	<u>\$ 471,814</u>

See independent auditors' report and notes to the financial statements.

PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Deficit) excess of revenues over expenses	\$ 27,992	\$ (132,752)	\$ (104,760)
Adjustments to reconcile (deficit) excess of revenues over expenses to net cash (used in) provided by operating activities:			
Changes in operating assets and liabilities:			
Assessments receivable, net	(2,810)	-	(2,810)
Prepaid expenses and other assets	(7,305)	-	(7,305)
Accounts payable and accrued expenses	11,993	-	11,993
Prepaid assessments	325	-	325
	30,195	(132,752)	(102,557)
Net cash (used in) provided by operating activities	30,195	(132,752)	(102,557)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	30,195	(132,752)	(102,557)
CASH AND CASH EQUIVALENTS, beginning of year	179,556	383,546	563,102
CASH AND CASH EQUIVALENTS, end of year	\$ 209,751	\$ 250,794	\$ 460,545

See independent auditors' report and notes to the financial statements.

PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

NOTE A - NATURE OF ORGANIZATION:

Palma Del Mar Condominium Association No. 5 of St. Petersburg, Inc. (the 'Association') was incorporated as a corporation, not-for-profit, under the terms and provisions of Florida Statutes. The Association, which operates under Florida Statute 718, is responsible for the operation and maintenance of the common property within the development. The development consists of 140 residential units located in St. Petersburg, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting whereby all revenues are recorded when earned and all expenses recorded when incurred.

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.

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Income Taxes

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the year ended March 31, 2017, the Association elected to be taxed as a homeowners association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings. Exempt function income, which consists primarily of member assessments, is not taxable.

The Association has no uncertain tax positions that it has taken and believes that it can defend its tax return in any jurisdiction. With few exceptions, the Association is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for years before 2014.

PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fair Value of Financial Instruments

The Association estimates that the fair value of all financial instruments as of March 31, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

Interest Earned

The Association's policy is to allocate interest earned to the operating and replacement fund in proportion to the interest bearing deposits of each fund.

Assessments Receivable

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are seriously delinquent. As of March 31, 2017, the Association had net assessments receivable of \$3,516. It is the opinion of the Board that an allowance for doubtful accounts of approximately \$35,000 needed at March 31, 2017 to cover anticipated losses from doubtful accounts.

NOTE C - CONCENTRATION OF CREDIT RISK:

The Association maintains deposits in a financial institution that at times may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Association believes that there is no significant risk with respect to these deposits. The Association has not experienced any losses on its deposits with financial institutions.

NOTE D - MEMBERS ASSESSMENTS:

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess assessments at year end are retained by the Association for use in future years.

Monthly assessments to owners averaged approximately \$379 for the year ended March 31, 2017.

NOTE E - PROPERTY AND EQUIPMENT:

In conformity with industry practice, the Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common property and (b) real property to which it has title and that the Board can dispose of for cash while retaining the proceeds for the Association or that is used to generate significant cash flows from members on the basis of usage or from non-members.

Real and common property acquired by the original members from the developer is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition is restricted by the Board.

NOTE F - ASSOCIATION CONTROLLED UNITS:

During the year ended March 31, 2017, the Association controlled one individual unit within the development due to foreclosure. Rental income on this unit is included in the statement of revenues, expenses and changes in fund balances and amounted to \$9,360 for the year ended March 31, 2017.

PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

NOTE F - ASSOCIATION CONTROLLED UNITS (CONTINUED):

It is the Association's policy to continue recording assessment revenue for this unit; however, a corresponding expense is included in repairs and maintenance expense. During the year ended March 31, 2017, approximately \$33,600 of assessments were charged to the Association for Association owned units.

NOTE G - FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association's governing documents provide certain guidelines for governing its financial activities. The Association maintains an operating fund available for general operations and a replacement fund designated for future major repairs and replacements. Replacement funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

The Board, in conjunction with management and vendors, estimated the remaining useful lives and the replacement costs of the components of common property. At this time, the Board has not conducted an independent formal study of all the common property components which results may differ. The table included in the supplementary information on Future Major Repairs and Replacements is based on an informal study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the informal study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirements have been included in the next year's budget.

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 has the right to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

NOTE H - SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES:

The balances of the components of the replacement fund at March 31, 2017 are as follows:

Components	Balance 4/01/16	Additions to Fund	Charges to Fund	Transfers	Balance 3/31/17
Painting	\$ -	\$ -	\$ -	\$ -	\$ -
Paving	-	-	-	-	-
Roofing - tile	-	-	-	-	-
Roofing - flat	-	-	-	-	-
Furniture and equip.	-	-	-	-	-
Seawall	-	-	-	-	-
Building redecorating	-	-	-	-	-
Pool	-	-	-	-	-
Water intrusion	-	-	-	-	-
Deferred maintenance	-	-	-	-	-
Elevator	-	-	-	-	-
Pooled reserves	383,546	107,497	(240,269)	-	250,774
Interest	-	20	-	-	20
	<u>\$ 383,546</u>	<u>\$ 107,517</u>	<u>\$ (240,269)</u>	<u>\$ -</u>	<u>\$ 250,794</u>

PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

NOTE H - SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES (CONTINUED):

The Association has budgeted \$107,497 for the year ended March 31, 2018 to fund the reserves noted above.

NOTE I - SUBSEQUENT EVENTS:

Management has assessed subsequent events through June 15, 2018, the date on which the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no material subsequent events that require recognition or additional disclosure.

SUPPLEMENTARY INFORMATION

PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2017

	Budget	Actual	(Under) Over Budget
REVENUE:			
Members' assessments	\$ 636,759	\$ 636,355	\$ (404)
Rental income	9,000	9,360	360
Interest income	195	171	(24)
Other income	3,260	2,197	(1,063)
	\$ 649,214	\$ 648,083	\$ (1,131)
ADMINISTRATIVE EXPENSES:			
Management fees	\$ 20,440	\$ 20,440	\$ -
Administrative expenses	19,911	12,900	(7,011)
Insurance	121,750	125,361	3,611
Legal	3,000	1,879	(1,121)
Association owned units expense	4,800	4,465	(335)
Bad debt expense (recoveries)	4,000	407	(3,593)
	173,901	165,452	(8,449)
OPERATING EXPENSES:			
Utilities	138,757	142,300	3,543
Repairs and maintenance	229,059	204,822	(24,237)
Reserves	107,497	240,269	132,772
	475,313	587,391	112,078
TOTAL EXPENSES	\$ 649,214	\$ 752,843	\$ 103,629

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
MARCH 31, 2017

The Board, in conjunction with management and vendors, estimated the remaining useful lives and the replacement costs of the components of common property. At this time the Board has not conducted an independent formal study of all the common property components, which results may differ. The informal study conducted may not be all inclusive. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and 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 informal study and presents significant information about the components of common property:

Components	Estimated Useful Life	Estimated Remaining Useful Lives (years)	Estimated Current Replacement Costs	Replacement Fund Balance At 3/31/17
Painting	7	-	\$ 170,000	\$ -
Paving	15	10	18,000	-
Roofing - tile	25	15	340,000	-
Roofing - flat	15	12	100,000	-
Furniture and equip.	10	2	225,000	-
Seawall	35	5	85,000	-
Building redecorating	15	11	115,000	-
Pool	5	-	20,000	-
Water intrusion	10	1	160,000	-
Deferred maintenance	-	-	-	-
Elevator	-	-	-	-
Pooled reserves	-	-	-	250,774
Interest	-	-	-	20
			\$ 1,233,000	\$ 250,794

See independent auditors' report.