

**Lantana Oceanfront
Condominium Association,
Inc.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2015



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INGRAM

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Lantana Oceanfront Condominium Association, Inc.
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Carr, Riggs & Ingram, LLC
Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Lantana Oceanfront Condominium Association, Inc.
Indian Harbour Beach, Florida

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Report on the Financial Statements

We have audited the accompanying financial statements of Lantana Oceanfront Condominium Association, Inc., which comprise the Balance Sheet as of December 31, 2015, 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.

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 auditor's 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 Lantana Oceanfront Condominium Association, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Lantana Oceanfront Condominium Association, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in the Schedule of Changes in Replacement Fund Balance and Schedule of Operating Fund 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, except for that portion marked "unaudited," 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
August 16, 2016

Lantana Oceanfront Condominium Association, Inc.
Balance Sheet

<i>December 31,</i>	2015			2014	
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)	
Assets					
Cash	\$ 33,287	\$ 215,766	\$ 249,053	\$	254,436
Accounts receivable, net	346	-	346	-	-
Other receivables	731	-	731	-	-
Prepaid expenses	86,111	-	86,111	87,310	87,310
Deposits	8,759	-	8,759	10,291	10,291
Total assets	\$ 129,234	\$ 215,766	\$ 345,000	\$	352,037
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 35,166	\$ -	\$ 35,166	\$	27,298
Insurance payable	78,774	-	78,774	85,797	85,797
Prepaid assessments	25,687	-	25,687	17,270	17,270
Total liabilities	139,627	-	139,627	130,365	130,365
Fund balance (deficit)	(10,393)	215,766	205,373	221,672	221,672
Total liabilities and fund balance	\$ 129,234	\$ 215,766	\$ 345,000	\$	352,037

The accompanying notes are an integral part of these financial statements.

Lantana Oceanfront Condominium Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance

<i>Year ended December 31,</i>	2015			2014
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Revenues				
Regular maintenance fees	\$ 454,087	\$ 125,000	\$ 579,087	\$ 531,026
Special assessments	-	-	-	22,759
Interest income	-	917	917	829
Bad debt recovery	3,564	-	3,564	1,092
Miscellaneous income	6,209	-	6,209	13,621
Total revenues	463,860	125,917	589,777	569,327
Expenses				
Administrative	77,190	-	77,190	55,232
Depreciation	-	-	-	195
Insurance	85,220	-	85,220	88,300
Maintenance and repairs	189,584	113,512	303,096	361,079
Utilities	140,570	-	140,570	134,678
Total expenses	492,564	113,512	606,076	639,484
Excess (deficit) of revenues over expenses	(28,704)	12,405	(16,299)	(70,157)
Beginning fund balance	18,311	203,361	221,672	291,829
Ending fund balance (deficit)	\$ (10,393)	\$ 215,766	\$ 205,373	\$ 221,672

The accompanying notes are an integral part of these financial statements.

**Lantana Oceanfront Condominium Association, Inc.
Statement of Cash Flows**

<i>Year ended December 31,</i>	2015			2014
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Operating activities				
Maintenance fees and other charges collected from owners	\$ 465,722	\$ 125,000	\$ 590,722	\$ 576,654
Interest income received	-	917	917	829
Miscellaneous income received	6,209	-	6,209	13,621
Cash paid for expenses	(489,719)	(113,512)	(603,231)	(585,781)
Interfund balance	(3,595)	3,595	-	-
Net cash provided (used) by operating activities	(21,383)	16,000	(5,383)	5,323
Net increase (decrease) in cash	(21,383)	16,000	(5,383)	5,323
Cash at beginning of year	54,670	199,766	254,436	249,113
Cash at end of year	\$ 33,287	\$ 215,766	\$ 249,053	\$ 254,436

(continued)

The accompanying notes are an integral part of these financial statements.

Lantana Oceanfront Condominium Association, Inc.
Statement of Cash Flows (Continued)

<i>Year ended December 31,</i>	2015			2014	
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)	
Reconciliation of excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:					
Excess (deficit) of revenues over expenses	\$ (28,704)	\$ 12,405	\$ (16,299)	\$	(70,157)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:					
Bad debt provision (recovery)	(3,564)	-	(3,564)	(1,092)	
Depreciation	-	-	-	195	
Changes in operating assets and liabilities:					
Accounts receivable, net	3,218	-	3,218	76,399	
Other receivables	(731)	-	(731)	18,882	
Prepaid expenses	1,199	-	1,199	1,194	
Deposits	1,532	-	1,532	-	
Accounts payable	7,868	-	7,868	14,300	
Insurance payable	(7,023)	-	(7,023)	19,132	
Deferred revenue	-	-	-	(22,759)	
Prepaid assessments	8,417	-	8,417	(30,771)	
Interfund balance	(3,595)	3,595	-	-	
Net cash provided (used) by operating activities	\$ (21,383)	\$ 16,000	\$ (5,383)	\$	5,323

The accompanying notes are an integral part of these financial statements.

Lantana Oceanfront Condominium Association, Inc. Notes to Financial Statements

NOTE 1: ORGANIZATION

Lantana Oceanfront Condominium Association, Inc. ("Association"), a Florida not-for-profit corporation, was formed on July 16, 1997. Membership in the Association consists of the 96 residential unit owners of this Florida condominium. The condominium is located on approximately 12 acres in Indian Harbour Beach, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including roofs, clubhouse building, building exteriors, parking areas, pool, elevators, green areas, etc. Disposition of common area property requires consent of the members in accordance with the governing documents and Florida Statutes.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

During 2015, management and accounting services were provided by FirstService Residential.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Association's significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements include the assets, liabilities, fund balances, revenues, and expenses as determined using the accrual basis of accounting. The financial statements include certain prior year summarized comparative information; however, certain prior year disclosures have not been included. The presented disclosures do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2014.

Funds

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as Operating or Replacement. At the end of the year, excess funds are retained by the fund generating such excess during the year.

Lantana Oceanfront Condominium Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds (continued)

The Operating Fund is used to account for financial resources available for the general operation of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and the Association's management.

The Replacement Fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the Replacement Fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned on the Replacement Fund components is allocated to a separate interest component.

Revenue Recognition

Regular assessments to members 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.

Accounts Receivable from Owners and Allowance for Doubtful Accounts

Accounts receivable from owners are reported at the outstanding balance due from owners and others, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific amounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. At December 31, 2015, the allowance for doubtful accounts totaled \$791.

Capitalization and Depreciation

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses of the fund making the expenditure. Real property that has not been capitalized includes roofs, building exteriors, clubhouse building, parking areas, pool, elevators, and green areas.

Personal property acquired by the Association is capitalized at cost. It is depreciated over its estimated useful life using the straight-line method of depreciation

Lantana Oceanfront Condominium Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements 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 those estimates.

Date of Management's Review

In preparing the financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through August 16, 2016, which is the date the financial statements were available to be issued.

NOTE 3: OWNERS' MAINTENANCE FEES

Revenues and expenses are allocated to unit owners equally, and accordingly, maintenance fee rates are established using this formula. The rates for 2015 were \$503 per month. Regular maintenance fees for the year ended December 31, 2015 totaled \$579,087, of which \$125,000 was allocated to the Replacement Fund.

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular maintenance fees.

The Board of Directors annually reviews the major components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the Replacement Fund. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2015 based on independent professional study.

The Association is funding for future major repairs and replacements over the estimated remaining useful lives of the components based on their study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Fund. Accordingly, the funding requirement of \$125,000, based on a full funding plan, was included in the 2015 budget.

Lantana Oceanfront Condominium Association, Inc.
Notes to Financial Statements

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

Actual expenditures may vary from the estimated amounts and the variations may be significant. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 5: INCOME TAXES

The Association elected to file its tax return for the year ended December 31, 2015 as a homeowner association on Form 1120H. As such, the Association must comply with Internal Revenue Code (IRC) Section 528, which applies specifically to homeowner associations. Under IRC Section 528, the Association is not taxed on income and expenses directly related to its exempt purpose, which is the management, maintenance, and protection of Association property. However, net nonexempt function income, such as interest income and revenues from nonmembers, is taxed for federal purposes at a flat 30% rate. For the year ended December 31, 2015, the Association had no taxable income. Accordingly, no income tax expense was incurred for the year. State income taxes do not apply to associations that qualify under IRC Section 528.

The Association is not aware of any uncertain tax positions that would require accrual or disclosure in the financial statements.

NOTE 6: 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 that have priority. Market value may be influenced by the real estate market in Indian Harbour Beach, Florida.

NOTE 7: INSURANCE PAYABLE

The Association has obtained a short-term note payable with an insurance agency to finance its annual insurance policy premiums. The note requires a down payment of \$7,337, is payable in 11 monthly installments of \$7,337 with no stated interest rate, and matures in November 2016. The balance of the note at December 31, 2015 totaled \$78,774.

Lantana Oceanfront Condominium Association, Inc.
Notes to Financial Statements

NOTE 8: WINDSTORM DEDUCTIBLE

The insurance policy for windstorm coverage renewed January 2016. The deductible amount for named hurricane storms is estimated at \$695,529, which represents 3% of the insured value of the insured property.

NOTE 9: SHORT-TERM BORROWINGS

The Association has secured a line of credit with a financial institution with a maximum borrowing potential of \$100,000 and an interest rate of prime plus 0.5%, with a floor of 4.15%. The line will expire in November 2017, requires monthly payments of interest, and is secured by the Association's assets. There was no outstanding balance on the line of credit at December 31, 2015.

NOTE 10: COMMITMENT

As of December 31, 2015, the Association has \$9,000 remaining on the contract for concrete wall repairs to two units. The original contract was for \$9,000. The Association expects the project to be completed in 2016.



Supplementary Information

**Lantana Oceanfront Condominium Association, Inc.
Schedule of Changes in Replacement Fund Balance**

<i>Year ended December 31,</i>	2015			
Component	Beginning Balance	Revenues	Expenses	Ending Balance
Pooled components				
Building exteriors			\$ (37,580)	
Doors - unit and common, including garages			(49,208)	
Fire alarm and equipment			(3,300)	
Pool			(1,880)	
Roofs			(21,544)	
Total Pooled	\$ 203,361	\$ 125,917	(113,512)	\$ 215,766
Total	\$ 203,361	\$ 125,917	\$ (113,512)	\$ 215,766

Lantana Oceanfront Condominium Association, Inc.
Schedule of Operating Fund Revenues and Expenses – Budget and Actual

<i>Year ended December 31,</i>	2015		
	Actual	Budget (Unaudited)	Variance Favorable (Unfavorable) (Unaudited)
Revenues			
Regular maintenance fees	\$ 454,087	\$ 454,087	\$ -
Bad debt recovery	3,564	-	3,564
Miscellaneous income	6,209	-	6,209
Total revenues	463,860	454,087	9,773
Expenses			
Administrative	77,190	63,740	(13,450)
Insurance	85,220	90,151	4,931
Maintenance and repairs	189,584	166,578	(23,006)
Utilities	140,570	133,618	(6,952)
Total expenses	492,564	454,087	(38,477)
Excess (deficit) of revenues over expenses	\$ (28,704)	\$ -	\$ (28,704)

Lantana Oceanfront Condominium Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)

The following table is based on the Board's review and presents significant information about the components of common property:

Components	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	Replacement Fund Balance 12/31/15
Pooled items			
Air conditioning units	6 - 8	\$ 16,340	
Building exteriors	6 - 20	647,920	
Common area interiors	0 - 9	62,130	
Doors - unit and common, including garages	8	59,000	
Dune crossover repair/restoration	10	42,966	
Elevator modernization	15 - 28	360,000	
Entry system	0	5,155	
Fire alarm and equipment	10 - 25	160,400	
Painting and waterproofing	5 - 6	220,169	
Pavement	1 - 5	60,237	
Pool	0 - 10	37,485	
Roofs	10 - 35	832,935	
Total pooled items			\$ 215,766
Nonpooled items			
Insurance deductible	N/A	658,620	-
Interest	N/A	N/A	-
Total		\$ 3,163,357	\$ 215,766