

**LANTANA OCEANFRONT CONDOMINIUM  
ASSOCIATION INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

**LANTANA OCEANFRONT CONDOMINIUM  
ASSOCIATION INC.  
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DECEMBER 31, 2018**

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*William A. Jackson & Company*  
*Certified Public Accountants*

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Lantana Oceanfront Condominium Association, Inc.

We have audited the accompanying financial statements of Lantana Oceanfront Condominium Association, Inc. as of December 31, 2018, 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.

**Auditor's 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, 2018, 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.

## **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 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, 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.

December 12, 2019

A handwritten signature in black ink that reads "W.A. Jackson, C.P.A." The signature is written in a cursive style.

William A. Jackson & Company, C.P.A.s  
Melbourne, Florida

**LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2018**

	Operating Fund	Replacement Fund	Total
<b>Assets:</b>			
Cash, including interest-bearing deposit	\$ 25,412	\$ 173,535	\$ 198,947
Assessments Receivable	4,009	-	4,009
Prepaid Expenses	5,131	-	5,131
Prepaid Insurance	81,859	-	81,859
Due From Reserve Fund	20,325	-	20,325
	<b>Total Assets</b>	<b>\$ 173,535</b>	<b>\$ 310,271</b>
	<b>\$ 136,736</b>	<b>\$ 173,535</b>	<b>\$ 310,271</b>
<b>Liabilities and Fund Balance:</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 25,144	\$ -	\$ 25,144
Insurance Note Payable	52,517	-	52,517
Prepaid Assessments	17,597	-	17,597
Federal Income Tax Payable	685	-	685
Due to Operating Fund	-	20,325	20,325
	<b>Total Liabilities</b>	<b>20,325</b>	<b>116,268</b>
	<b>95,943</b>	<b>20,325</b>	<b>116,268</b>
<b>Fund balance</b>	<b>40,793</b>	<b>153,210</b>	<b>194,003</b>
	<b>\$ 136,736</b>	<b>\$ 173,535</b>	<b>\$ 310,271</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 136,736</b>	<b>\$ 173,535</b>	<b>\$ 310,271</b>

See accompanying notes and accountants' report.

**LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
BALANCE FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Replacement Fund	Total
<b>Revenues</b>			
Assessments	\$ 449,900	\$ 183,700	\$ 633,600
Special assessments	-	123,929	123,929
Insurance Reimbursement	-	28,035	28,035
Other Income	5,162	-	5,162
Interest Income	37	485	522
Total Revenues	<u>455,099</u>	<u>336,149</u>	<u>791,248</u>
<b>Expenses</b>			
Insurance	82,939	-	82,939
Licenses and Permits	2,050	-	2,050
Maintenance - Building	73,426	-	73,426
Maintenance - Elevators	11,062	-	11,062
Maintenance - Pool	7,893	-	7,893
Maintenance - Lawn & Grounds	87,251	-	87,251
Maintenance - Pest Control	2,688	-	2,688
Maintenance - Roofs	3,976	-	3,976
Maintenance - Fire System	27,330	-	27,330
Major Repairs & Replacements	-	249,785	249,785
Management Fees	19,300	-	19,300
Miscellaneous	-	-	-
Office Expense	2,187	-	2,187
Professional Fees	17,176	-	17,176
Federal Income Taxes	412	-	412
Utilities - Water & Sewer	57,491	-	57,491
Utilities - Electric	19,459	-	19,459
Utilities - Trash Removal	16,009	-	16,009
Utilities - Telephone	4,599	-	4,599
Total Expenses	<u>435,248</u>	<u>249,785</u>	<u>685,033</u>
Excess (Deficit) of Revenues Over Expenses	19,851	86,364	106,215
Fund Balance at January 1, 2018	20,942	66,846	87,788
Fund Balance at December 31, 2018	<u>\$ 40,793</u>	<u>\$ 153,210</u>	<u>\$ 194,003</u>

See accompanying notes and accountants' report.

**LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Excess of revenues over expenses:	\$ 19,851	\$ 86,364	\$ 106,215
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used) in operating activities:			
(Increase) Decrease in:			
Increase in accounts receivable	(3,374)	-	(3,374)
Increase in prepaid expenses	(661)	-	(661)
Increase in prepaid insurance	(348)	-	(348)
Change in interfund balances	(5,582)	5,582	-
Increase (Decrease) in:			
Decrease in accounts payable	(159)	-	(159)
Decrease in insurance note payable	(22,201)	-	(22,201)
Increase in federal income taxes payable	412	-	412
Decrease in prepaid assessments	(5,096)	-	(5,096)
Net cash provided (used) by operating activities:	(17,158)	91,946	74,788
Cash at January 1, 2018	42,570	81,589	124,159
Cash at December 31, 2018	\$ 25,412	\$ 173,535	\$ 198,947

Supplemental Disclosure

No income taxes were paid during the 2018 year.

Interest paid on the note payable was \$1,693.

**LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 – NATURE OF ORGANIZATION**

Lantana Oceanfront Condominium Association Inc. (the “Association”), was incorporated on July 16, 1997 under Chapter 617 of the Florida Statutes as a not-for-profit organization. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes in Chapter 718. The Association is located in Indian Harbour Beach, Florida and consists of 96 residential units.

**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 and general maintenance. In 2018, the membership assessment was \$550 per month per unit, and \$159.45 per month per unit was allocated to the Reserve fund. Please see notes 6 and 7 for information on 2018 special assessments. For the year ended December 31, 2019, the regular membership assessment will be \$555 per month per unit and \$159.45 per month per unit will again be allocated to the reserve fund.

**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.

**LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Late Fee Policy**

The Association's policy is to apply a late fee of \$25 on the properties of unit owners whose assessments are 10 days or more delinquent. Regarding assessments that are delinquent 30 or more days, 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.

**Income Taxes**

The Association may be taxed either as a homeowner's association or as a regular corporation. For the year ended December 31, 2018, the Association was taxed as a homeowners' association. Under that election, the Association is taxed on non-exempt function income, such as interest earnings and the fiber optics remittances, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. For the year ended December 31, 2018, Federal income tax incurred was \$412.

**NOTE 3 – NOTE PAYABLE**

On December 12, 2017, the Association incurred a short term note payable to First Insurance Funding Corporation to finance its annual insurance coverage for 2018. The total coverage was equal to \$79,563 at a 4.61% annual rate of interest. This note required a down payment of \$6,793, and 11 monthly installments equal to \$6,793. On January 1, 2018, the Association made the down payment of principal, and the remaining 11 payments were due beginning January 31, 2018. The total interest incurred in 2018 was \$1,693, and was included in the insurance expense.

**NOTE 4 – SUBSEQUENT EVENTS**

The Association has evaluated its subsequent events through December 12, 2019, which was the date that the accompanying financial statements were issued. The Association had no material subsequent events requiring disclosure.

**LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association is currently fully funding for future major repairs and replacements using the pooling method. The Board of Directors periodically reviews the major components of common property and establishes estimated remaining lives and replacement costs based on historical data and recent experience. Actual expenditures may vary from the estimated amounts and the variations may be material. As of the date of this report, when additional operating funds are needed, the Association has the right to increase the regular assessment, levy a special assessment, or delay major repairs until funds are available. Thus, current funds available for future major repairs and replacements are as follows:

The following presents the changes that have occurred in the replacement fund during 2018:

<u>Description</u>	<u>Balance 01/01/18</u>	<u>Member Assessments</u>	<u>Interest Income</u>	<u>Transfers Reallocations</u>	<u>Disbursements</u>	<u>Balance 12/31/18</u>
Interest	\$ 630	\$ -	\$ 485	\$ -	\$ -	\$ 1,115
Pooled Reserves	66,216	183,700	-	151,964	249,785	152,095
Totals	<u>\$ 66,846</u>	<u>\$ 183,700</u>	<u>\$ 485</u>	<u>\$ 151,964</u>	<u>\$ 249,785</u>	<u>\$ 153,210</u>

**NOTE 6 – SPECIAL ASSESSMENT**

On November 20, 2017, the association approved a one-time special assessment of \$1,000 per unit, for a total of \$96,000, to replenish the funds in the Replacement Fund. The amount was to be paid in two installments. The 1st installment was due in January 2018 for \$500 per unit, and the 2nd installment was due in July 2018, also for \$500 per unit. The total revenue is included in current year income.

**NOTE 7 – HURRICANE SPECIAL ASSESSMENT**

In September 2017, Hurricane Irma caused moderate losses to the Association. As a result the insurance company was to reimburse the Association for \$28,035 for roofs that were damaged. However, an amount for approximately \$28,000 would have to be born by the unit owners themselves. Thus, in December 2017, the Association also approved a one-time special assessment for \$290.93 per unit, which totals \$ 27,929, also due in January 2018. This assessment is also included in current year income and was included in the transfers to the Replacement Fund.

**SUPPLEMENTARY INFORMATION**

**LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE**  
**MAJOR REPAIRS AND REPLACEMENTS**  
**DECEMBER 31, 2018**

The Association's Board of Directors along with management estimates the remaining useful lives and the replacement costs of the components of common property based on historical data and recent experience. In addition, licensed contractors may be consulted for more current changes to the useful lives and replacement costs. Regardless, the last independent professional study was performed in 2013. Thus, the following table is based on this study along with management's estimates and updates, and presents significant information about the components of common property.

<u>Description</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>	<u>Current Replacement Fund</u>	<u>2019 Proposed Budgeting Requirements</u>
Pooled Funds	-	-	153,210	183,684
Landscape/Irrigation	4 - 11 years	50,000		
A/C Units	1 - 7 years	24,880	-	-
Building Exteriors	2 - 16 years	906,504	-	-
Common Area Interiors	5 - 14 years	70,252	-	-
Doors	1-11 years	15,000	-	-
Dune Crossover Repair	11 - 13 years	22,837	-	-
Elevator	5 - 29 years	360,000	-	-
Entry System	5 - 11 years	25,000	-	-
Fire System	7 - 21 years	161,700	-	-
Painting	3 - 11 years	241,529	-	-
Pavement	1 - 11 years	89,608	-	-
Pool	2 - 17 years	55,078	-	-
Roofs	4 - 27 years	568,992	-	-
Other	5 - 21 years	47,414		
Totals		<u>\$ 2,638,794</u>	<u>\$ 153,210</u>	<u>\$ 183,684</u>

See accountant's report.