

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED

DECEMBER 31, 2016

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

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RICHARD C. COMMONS, P.A.

CERTIFIED PUBLIC ACCOUNTANT

taxes . accounting . financial strategies

April 30, 2017

To the Board of Directors of
Scopello Condominium Association, Inc.
Indian Rocks Beach, Florida

Management is responsible for the accompanying financial statements of Scopello Condominium Association, Inc., which comprise the balance sheet as of December 31, 2016, 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 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Supplementary Information

The supplementary schedule of operating revenue and expenses – actual and budgeted on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on pages 9 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. The information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

We are not independent with respect to Scopello Condominium Association, Inc.

Richard C. Commons, P.A.
Certified Public Accountant
Clearwater, Florida

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Balance Sheet

December 31, 2016

<u>Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash	\$ 65,155	\$ 111,917	\$ 177,072
Accounts receivable	1	-	1
Prepaid expenses	18,841	-	18,841
Utility deposits	<u>1,660</u>	<u>-</u>	<u>1,660</u>
Total assets	<u>\$ 85,657</u>	<u>\$ 111,917</u>	<u>\$ 197,574</u>
<u>Liabilities and Fund Balances</u>			
Accounts payable	\$ 2,250	\$ -	2,250
Prepaid assessments	<u>10,882</u>	<u>-</u>	<u>10,882</u>
Total liabilities	13,132	-	13,132
Fund balance	<u>72,525</u>	<u>111,917</u>	<u>184,442</u>
Total liabilities and members' equity	<u>\$ 85,657</u>	<u>\$ 111,917</u>	<u>\$ 197,574</u>

See accompanying notes to financial statements and accountants' compilation report.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Statement of Revenues, Expenses and Changes in Fund Balance

For the Year Ended December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues:			
Regular assessments	\$ 110,306	\$ 12,377	\$ 122,683
Late fees	75	-	75
Interest income	31	136	167
Other income	<u>1,679</u>	<u>-</u>	<u>1,679</u>
	<u>112,091</u>	<u>12,513</u>	<u>124,604</u>
Expenses:			
Administrative	5,640	-	5,640
Operating	33,848	-	33,848
Repairs and replacements	42,384	-	42,384
Insurance and other	<u>30,892</u>	<u>-</u>	<u>30,892</u>
Total expenses	<u>112,764</u>	<u>-</u>	<u>112,764</u>
Excess (deficit) of revenues over expenses	(673)	12,513	11,840
Fund balance - beginning of year	<u>73,198</u>	<u>99,404</u>	<u>172,602</u>
Fund balance - end of year	<u>\$ 72,525</u>	<u>\$ 111,917</u>	<u>\$ 184,442</u>

See accompanying notes to financial statements and accountants' compilation report.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficit) of revenues over expenses	\$ (673)	\$ 12,513	\$ 11,840
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	4,685	-	4,685
Prepaid expenses	(2,689)	-	(2,689)
Increase (decrease) in:			
Accounts payable	(89)	-	(89)
Assessments received in advance	(1,116)	-	(1,116)
Rental Deposit	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	118	12,513	12,631
CASH AT BEGINNING OF YEAR	<u>65,037</u>	<u>99,404</u>	<u>164,441</u>
CAST AT END OF YEAR	<u>\$ 65,155</u>	<u>\$ 111,917</u>	<u>\$ 177,072</u>

See accompanying notes to financial statements and accountants' compilation report.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A - NATURE OF ORGANIZATION

SCOPELLO CONDOMINIUM ASSOCIATION, INC., (the Association) was organized as a not-for-profit corporation pursuant to the Florida Statutes on September 4, 2003. The Association consists of 18 residential units located in Indian Rocks Beach, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 reports 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 (Reserve) Fund - This fund is used to accumulate financial resources designated for future major repairs and replacement.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits at December 31, 2016.

Revenue Recognition

Revenue is derived principally from the assessment of monthly fees from owners and is recorded at the time such amounts become due. Uncollected fees are recorded as delinquent members' assessments and amounts received prior to their due date are recorded as Prepaid Assessments.

Members' Assessments

Association members are subject to monthly fees to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Accounts receivable amounts at the balance sheet date represent the net monthly fees due from owners. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are 45 days delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding years.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes

Associations may pay taxes either as a Homeowners' Association or as a Regular Corporation. For the year ended December 31, 2016 the Association elected to be taxed as a Homeowners' Association.

As a Homeowners' Association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal corporate tax rates. There was no income tax expense for the year ended December 31, 2016.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment acquired by the Association are recorded at cost and property contributed to the Association by the developer is recorded at estimated fair value at the date of contribution. The Association has no property and equipment capitalized at December 31, 2016.

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.

Fair Value of Financial Instruments

The Association's financial statements consist primarily of cash and cash equivalents, member assessments receivable, prepaid insurance, deposits, notes payable and accounts payable. The carrying amounts of such financial instruments approximate their respective estimated fair values due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair values are not necessarily indicative of the amounts the Association would realize in a current market exchange or from future earnings or cash flows.

Date of Management's Review

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

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE C - MAJOR REPAIRS AND REPLACEMENTS RESERVES

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$111,917 at December 31, 2016, are held in a separate account and are generally not available for operating purposes. It is the Association's policy that interest earned on such funds is allocated to the replacement fund.

The Association's Board of Directors conducted a study in November, 2016 to estimate the remaining useful lives and replacement costs of the common property components. Because actual expenditures may vary from estimated future expenditures, variations may be material. Therefore, amounts designed for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association could increase regular assessments, levy special assessments or delay major repairs and replacements until funds are available. Fund balance designated for future major repairs and replacements has been allocated by the board of directors to the components of common property as follows:

The following information presents significant information about the components of the common property.

<u>Component</u>	<u>Balance</u> <u>January 1,</u> <u>2016</u>	<u>Members'</u> <u>Assessments</u>	<u>Interest and</u> <u>Transfers</u>	<u>Expenditures</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>
Pool/SPA Common area	\$ 8,556	\$ 481	\$ -	\$ -	\$ 9,037
Common Corridor	5,915	681	-	-	6,596
Elevator	25,743	2,576	-	-	28,319
Security Equipment	3,421	328	-	-	3,749
Paving	5,659	589	-	-	6,248
Painting	12,991	5,001	-	-	17,992
Roof	20,350	1,965	-	-	22,315
Railings	3,201	756	-	-	3,957
Contingency	<u>13,568</u>	<u>-</u>	<u>136</u>	<u>-</u>	<u>13,704</u>
	<u>\$ 99,404</u>	<u>\$ 12,377</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 111,917</u>

SUPPLEMENTARY INFORMATION

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Supplementary Schedule of Operating Revenues and Expenses - Actual and Budgeted

For the Year Ended December 31, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:			
Regular assessments	\$ 110,306	\$ 110,306	\$ -
Late fees	75	-	75
Interest income	31	-	31
Other income	1,679	720	959
Carryover surplus	<u>-</u>	<u>6,792</u>	<u>(6,792)</u>
	<u>112,091</u>	<u>117,818</u>	<u>(5,727)</u>
Expenses:			
Administration			
Office expenses	1,093	1,200	107
Accounting and legal fees	3,311	4,500	1,189
Expenses & Fees	<u>1,236</u>	<u>1,258</u>	<u>22</u>
	<u>5,640</u>	<u>6,958</u>	<u>1,318</u>
Operating			
Electricity	9,187	10,884	1,697
Water/sewer/trash	21,791	23,700	1,909
Fuel-SPA	1,550	1,980	430
Pest Control	<u>1,320</u>	<u>1,800</u>	<u>480</u>
	<u>33,848</u>	<u>38,364</u>	<u>4,516</u>
Repairs and maintenance			
Building/Equip, repair/supplies	6,093	10,200	4,107
Bldg. cleaning & pool maintenance	20,130	14,000	(6,130)
Elevator expenses	5,320	4,500	(820)
Telephone	3,817	3,800	(17)
Lawn & landscaping	5,907	4,200	(1,707)
Fire alarm monitor/inspection	978	1,200	222
Fire equipment repair	<u>139</u>	<u>420</u>	<u>281</u>
	<u>42,384</u>	<u>38,320</u>	<u>(4,064)</u>
Insurance and other			
Insurance	31,654	34,044	2,390
Unit 405 expenses	(834)	-	834
Income taxes	-	60	60
Bureau of Condominiums	<u>72</u>	<u>72</u>	<u>-</u>
	<u>30,892</u>	<u>34,176</u>	<u>3,284</u>
Total expenses	<u>112,764</u>	<u>117,818</u>	<u>5,054</u>
Excess of revenues over expenses	<u>\$ (673)</u>	<u>\$ -</u>	<u>\$ (673)</u>

See accompanying accountants' compilation report.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Supplementary Information on Future Major Repairs And Replacements (Unaudited)

December 31, 2016

The Association's Board of Directors conducted a study in November, 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacements costs have not been revised since that data 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 information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Life</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Cost</u>	<u>2016 Funding Requirement</u>	<u>Component of Fund Balance at December 31, 2016</u>
Pool/SPA Common area	15	2	\$ 10,000	\$ 481	\$ 9,037
Common Corridor	15	5	10,000	681	6,596
Elevator	15	5	40,000	2,576	28,319
Security Equip.	15	5	5,400	328	3,749
Paving	20	9	12,000	589	6,248
Painting	8	3	35,000	5,001	17,992
Roof	20	9	40,000	1,965	22,315
Railings	5	8	10,000	756	3,957
Contingency	-	-	-	-	13,704
			<u>\$ 162,400</u>	<u>\$ 12,377</u>	<u>\$ 111,917</u>

See accompanying accountants' compilation report.