

**PARKWOOD ESTATES HOMEOWNERS
ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2015

**PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
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DECEMBER 31, 2015**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Parkwood Estates Homeowners Association

Management is responsible for the accompanying financial statements of Parkwood Estates Homeowners Association, 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 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.

Prior Period Financial Statements

Summarized information for 2014 was taken from the financial statements compiled by us in a report dated April 17, 2015. We did not audit or review the financial statements and, accordingly, did not express an opinion or provide any assurance about whether the prior period financial statements are in accordance with the accounting principles generally accepted in the United States of America.

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 page 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.



Destin, Florida
May 6, 2016

**PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2014)**

			Total All Funds	
	Operating Fund	Replacement Fund	2015	2014
ASSETS				
Cash	\$ 67,612	\$ 108,553	\$ 176,165	\$ 330,400
Certificate of deposit	-	59,883	59,883	59,883
Assessments receivable, net	1,576	-	1,576	11,348
Prepaid expenses	513	-	513	452
Deposit	69	-	69	69
Equipment, net	3,427	-	3,427	4,569
TOTAL ASSETS	\$ 73,197	\$ 168,436	\$ 241,633	\$ 406,721
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 1,701	\$ -	\$ 1,701	\$ 17,231
Income taxes payable	-	-	-	4,000
Prepaid assessments	17,949	-	17,949	8,851
TOTAL LIABILITIES	19,650	-	19,650	30,082
FUND BALANCE	53,547	168,436	221,983	376,639
TOTAL LIABILITIES AND FUND BALANCE	\$ 73,197	\$ 168,436	\$ 241,633	\$ 406,721

See accompanying notes and
accountants' compilation report.

**PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)**

			Total All Funds	
	Operating Fund	Replacement Fund	2015	2014
REVENUES				
Member assessments	\$ 146,040	\$ 60,000	\$ 206,040	\$ 193,920
Interest and late fees	1,387	373	1,760	4,309
Miscellaneous	5,374	-	5,374	2,041
Total revenues	152,801	60,373	213,174	200,270
EXPENSES				
Administrative	50,918	-	50,918	32,628
Bad debt provision	6,148	-	6,148	893
Depreciation	1,142	-	1,142	5,924
Insurance	3,018	-	3,018	3,312
Repairs and maintenance	68,146	213,703	281,849	91,930
Utilities	24,755	-	24,755	24,574
Total expenses	154,127	213,703	367,830	159,261
REVENUES OVER (UNDER) EXPENSES	(1,326)	(153,330)	(154,656)	41,009
FUND BALANCE AT BEGINNING OF YEAR	54,873	321,766	376,639	335,630
FUND BALANCE AT END OF YEAR	<u>\$ 53,547</u>	<u>\$ 168,436</u>	<u>\$ 221,983</u>	<u>\$ 376,639</u>

See accompanying notes and
accountants' compilation report.

PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	Operating Fund	Replacement Fund	Total All Funds	
			2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Revenues over (under) expenses	\$ (1,326)	\$ (153,330)	\$ (154,656)	\$ 41,009
Adjustments to reconcile revenues over (under) expenses to net cash flows provided by (used in) operating activities:				
Bad debt	6,148	-	6,148	893
Depreciation	1,142	-	1,142	5,924
Changes in assets and liabilities:				
Assessments receivable, net	3,624	-	3,624	4,416
Prepaid expenses	(61)	-	(61)	96
Accounts payable	(15,530)	-	(15,530)	17,033
Income taxes payable	(4,000)	-	(4,000)	3,980
Prepaid assessments	9,098	-	9,098	(1,117)
Net cash flows provided by (used in) operating activities	<u>(905)</u>	<u>(153,330)</u>	<u>(154,235)</u>	<u>72,234</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in certificate of deposit	-	-	-	(55)
Interfund borrowings	5,210	(5,210)	-	-
Net cash flows provided by (used in) financing activities	<u>5,210</u>	<u>(5,210)</u>	<u>-</u>	<u>(55)</u>
NET CHANGE IN CASH	4,305	(158,540)	(154,235)	72,179
CASH AT BEGINNING OF YEAR	<u>63,307</u>	<u>267,093</u>	<u>330,400</u>	<u>258,221</u>
CASH AT END OF YEAR	<u><u>\$ 67,612</u></u>	<u><u>\$ 108,553</u></u>	<u><u>\$ 176,165</u></u>	<u><u>\$ 330,400</u></u>

See accompanying notes and
accountants' compilation report.

**PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ASSOCIATION

Description of Association

Parkwood Estates Property Owners Association, Inc., a Florida not-for-profit corporation, was formed on March 2, 1990. Membership in the Association consists of the 283 residential and 20 commercial lots of this Florida homeowners association. The subdivision and the Association are located on approximately 300 acres in Okaloosa County, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including roads, sidewalks, green areas, a guard house, recreational areas, and Beaver Pond. 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.

Fund Accounting

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 the financial resources available for the Association's general operations.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements and other capital improvements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all funds received and deposited into the Operating and Replacement Fund bank accounts as cash and cash equivalents.

Assessments Receivable

Accounts receivable from owners are reported at the outstanding balance due from owners, 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 accounts 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 established by management totaled \$5,500. Management has written off all amounts considered uncollectible through December 31, 2015.

**PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ASSOCIATION – CONTINUED

Property and Equipment

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 in the fund making the expenditure. Real property that has not been capitalized includes roads, sidewalks, green areas, a guard house, recreational areas, and Beaver Pond.

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.

At December 31, 2015, equipment as shown on the accompanying balance sheet had an original cost of \$41,469. This equipment has accumulated depreciation of \$38,042 and a net book value of \$3,427. The equipment is being depreciated over seven years and depreciation, for the year ended December 31, 2015, totaled \$1,142 and is shown on the accompanying statement of revenues, expenses, and changes in fund balance.

Interest Earned

The policy of the Association's Board of Directors is to allocate interest earned on Replacement Fund accounts to the Replacement Fund. All other interest earned on bank accounts and investments is available for use in daily operations.

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. Special assessments for major repairs and replacements or improvements are recognized as revenue when the corresponding expenditures are made with any unrecognized amounts being recorded as deferred revenue. All other revenues are recognized when earned.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data

The amounts shown for 2014 in the accompanying financial statements are included only to provide a basis for comparison with 2015, and present summarized totals only. Accordingly, the 2014 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

**PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ASSOCIATION – CONTINUED

Subsequent Events

The Association has evaluated events and transactions that occurred between December 31, 2015, and May 6, 2016, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. CERTIFICATE OF DEPOSIT

The Association's certificate of deposit is recorded at cost plus accrued interest and classified as held-to-maturity. The certificate bears interest at a rate of 1% and matures March 24, 2017. The balance of the certificate of deposit was \$59,883 reported in the Replacement Fund as of December 31, 2015.

3. OWNER'S ASSESSMENTS

Quarterly operating assessments to owners were \$170 per unit for the year ended December 31, 2015. The annual budget and owner assessments are determined and approved by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. Owner assessments for the year ended December 31, 2015 totaled \$206,040, of which \$60,000 was allocated to the Replacement Fund.

4. RESERVES FOR RENEWAL AND REPLACEMENT

The Association's governing documents require that funds be accumulated for future major repairs and replacements, unless otherwise decided by the voting membership. Accumulated funds are held in separate bank accounts and are generally not available for normal operations.

The Board of Directors annually reviews the components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful life and the estimated replacement cost of the components of the Replacement Fund. Where applicable, licensed contractors and architects are consulted regarding useful life and replacement cost for the road component. The Association decided to fund \$60,000 to the road component of the Replacement Fund in 2015, and based on the Board's estimates, \$65,000 has been included in the 2016 budget. The Association is unable to determine whether the amount funded in 2015 is a fully funded plan since no formal study has been performed by the Board or by an engineer to determine estimated lives and estimated future replacement costs of other components of the Replacement Fund. Since the Association is not funding the other components of the Replacement Fund, a special assessment may be needed in the future to make the necessary major repairs to these other components.

**PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

4. RESERVES FOR RENEWAL AND REPLACEMENT – CONTINUED

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, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on not funding the common area replacement fund components for future major repairs and replacements has not been determined.

The following is a summary of the financial activity of the Replacement Fund during the year:

Component	Balance 1/1/2015	Assessment Additions	Interest Earned	Charges to Fund	Balance 12/31/2015
Roads	\$ 321,766	\$ 60,000	\$ 373	\$ (213,703)	\$ 168,436

5. FEDERAL AND STATE INCOME TAXES

For the year ended December 31, 2015, 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, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. At December 31, 2015, the Association had no taxable income. The Association is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

6. CONCENTRATION OF CREDIT RISK

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The balances are insured by the FDIC up to \$250,000. At December 31, 2015, the Association cash balances did not exceed the FDIC insured limits. The Association has not experienced any losses in such accounts, and believes there is little or no exposure to any significant credit risk.

SUPPLEMENTARY INFORMATION

**PARKWOOD ESTATES HOMEOWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2015**

In 2015, the Association Board and management company, Alliance, performed a reserve analysis and estimated the remaining useful lives and replacement costs of the components of common property based on an estimated 3% inflation rate. The following table is based on this analysis and presents significant information about the components of common property:

Component	Estimated Useful Lives (Years)	Estimated Remaining Lives (Years)	Estimated Replacement Costs	2016 Pooled Funding Requirement	Pooled Fund Balance 12/31/2015
Gatehouse	5-40	1-19	\$ 78,715		
Common Area	5-40	1-18	469,900		
Roads	10-20	1-15	657,200		
			<u>\$ 1,205,815</u>	<u>\$ 65,000</u>	<u>\$ 168,436</u>

See independent accountants' compilation report.