

Longboat Harbour Owners Association, Inc.

**Independent Auditor's Report,
Financial Statements
and
Supplementary Information**

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Longboat Harbour Owners Association, Inc.

We have audited the accompanying financial statements of Longboat Harbour Owners Association, Inc., which comprise the balance sheet as of December 31, 2016, 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.

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 Longboat Harbour Owners Association, Inc. as of December 31, 2016, 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.

To the Board of Directors
Longboat Harbour Owners Association, Inc.
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Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in note 5 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

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 replacement fund activity on page thirteen (13) is presented for purposes of additional analysis and are 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 supplementary information on future major repairs and replacements on page fourteen (14) 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.

Mandinger & Tynd CPAs, LLC

April 20, 2017
Curtiss Office
Sarasota, Florida

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Balance Sheet
December 31, 2016

ASSETS

	2016					Total
	Operating Fund	Yacht Club Committee Fund	Recreation Committee Fund	Special Assessment Fund	Replacement Fund	
Assets						
Cash and cash equivalents	\$ 578,072	\$ 50,991	\$ 3,758	\$ 16,589	\$ 512,233	\$ 1,161,643
Certificates of deposit	-	-	-	-	100,271	100,271
Assessments receivable	8,677	-	-	1,062	-	9,739
Prepaid insurance	277,670	-	-	-	-	277,670
Other prepaids and assets	922	-	-	-	-	922
Due from other fund	-	-	729	29,464	-	30,193
Property and equipment, net	20,229	-	-	-	-	20,229
Total Assets	<u>\$ 885,570</u>	<u>\$ 50,991</u>	<u>\$ 4,487</u>	<u>\$ 47,115</u>	<u>\$ 612,504</u>	<u>\$ 1,600,667</u>

LIABILITIES AND FUND BALANCES

Liabilities						
Accounts payable	\$ 23,935	-	-	-	-	\$ 23,935
Accrued expenses	10,904	-	-	-	-	10,904
Income tax payable	3,251	-	-	-	-	3,251
Prepaid assessments	78,524	9,940	-	-	-	88,464
Due to other fund	21,725	-	-	-	8,468	30,193
Total Liabilities	<u>138,339</u>	<u>9,940</u>	<u>-</u>	<u>-</u>	<u>8,468</u>	<u>156,747</u>
Fund Balances						
	<u>747,231</u>	<u>41,051</u>	<u>4,487</u>	<u>47,115</u>	<u>604,036</u>	<u>1,443,920</u>
Total Liabilities and Fund Balances	<u>\$ 885,570</u>	<u>\$ 50,991</u>	<u>\$ 4,487</u>	<u>\$ 47,115</u>	<u>\$ 612,504</u>	<u>\$ 1,600,667</u>

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

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Statements of Revenues, Expenses and Changes in Fund Balances
Year Ended December 31, 2016

Revenues	Operating Fund	Yacht Club Committee Fund	Recreation Committee Fund	Special Assessment Fund	Replacement Fund	Total
Maintenance assessments	\$ 1,763,900	-	\$ -	\$ 378,078	\$ 183,700	\$ 2,325,678
Yacht club committee	-	23,451	-	-	-	23,451
Recreation committee	-	-	17,584	-	-	17,584
Laundry	23,881	-	-	-	-	23,881
Beach property use	19,350	-	-	-	-	19,350
Other (i.e. gate revenue)	14,786	-	-	-	-	14,786
Unit rental	15,300	-	-	-	-	15,300
Interest	678	-	-	-	448	1,126
Total Revenues	<u>1,837,895</u>	<u>23,451</u>	<u>17,584</u>	<u>378,078</u>	<u>184,148</u>	<u>2,441,156</u>

Expenses	495	62,924	98,546	462	52,763	8,289	5,210	43,446	53,087	5,461	18,604	8,945	3,357	14,931	453,954	133,177
Advertising	495	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building maintenance	-	62,924	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cable TV	-	98,546	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carport and tennis court	-	462	-	-	-	-	-	-	-	-	-	-	-	-	-	462
Common area repairs and maintenance	-	52,763	-	-	-	-	-	-	-	-	-	-	-	-	-	52,763
Depreciation	8,289	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,289
Dues and subscriptions	5,210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,210
Electricity	43,446	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,446
Elevator and equipment maintenance	53,087	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,087
Fire extinguishers and alarms	5,461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,461
Gas - heating and pool	18,604	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,604
Housekeeping	8,945	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,945
Income tax	3,357	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,357
Insurance - employee	14,931	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,931
Insurance	453,954	-	-	-	-	-	-	-	-	-	-	-	-	-	-	453,954
Lawn maintenance	133,177	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133,177

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

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Statements of Revenues, Expenses and Changes in Fund Balances
Year Ended December 31, 2016

	Operating Fund	Yacht Club Committee Fund	Recreation Committee Fund	Special Assessment Fund	Replacement Fund	Total
Expenses continued						
Legal and accounting	13,295	-	-	-	-	13,295
Miscellaneous	955	-	-	-	-	955
Newsletter and postage	3,150	-	-	-	-	3,150
Office	15,695	-	-	-	-	15,695
Operating committee payroll taxes	13,544	-	-	-	-	13,544
Pest control	29,151	-	-	-	-	29,151
Pool maintenance	14,400	-	-	-	-	14,400
Salaries and wages	27,910	-	-	-	-	27,910
Taxes and Licenses	344,784	-	-	-	-	344,784
Telephone	1,200	-	-	-	-	1,200
Trash removal	10,955	-	-	-	-	10,955
Water and sewer	16,523	-	-	-	-	16,523
Replacement fund	175,808	-	-	-	-	175,808
Yacht club	-	12,226	-	-	297,182	297,182
Recreation	-	-	14,378	-	-	14,378
Special assessment	-	-	-	353,325	-	353,325
Total Expenses	<u>1,631,021</u>	<u>12,226</u>	<u>14,378</u>	<u>353,325</u>	<u>297,182</u>	<u>2,308,132</u>
Excess (Deficit) Revenues over Expenses	<u>206,874</u>	<u>11,225</u>	<u>3,206</u>	<u>24,753</u>	<u>(113,034)</u>	<u>133,024</u>
Beginning Fund Balances	763,497	29,826	1,281	102,362	413,930	1,310,896
Transfers	(223,140)	-	-	(80,000)	303,140	-
Ending Fund Balances	<u>\$ 747,231</u>	<u>\$ 41,051</u>	<u>\$ 4,487</u>	<u>\$ 47,115</u>	<u>\$ 604,036</u>	<u>\$ 1,443,920</u>

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

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Statement of Cash Flows
Year Ended December 31, 2016

	Operating Fund	Yacht Club Committee Fund	Recreation Committee Fund	Special Assessment Fund	Replacement Fund	Total
Cash Flows From Operating Activities:						
Maintenance assessments received	\$ 1,763,566	\$ -	\$ -	\$ 376,500	\$ 183,700	\$ 2,323,766
Interest received	678	-	-	-	448	1,126
Yacht club committee revenue collected	-	21,496	-	-	-	21,496
Recreation committee revenue collected	-	-	17,584	-	-	17,584
Other income received	73,317	-	-	-	-	73,317
Operating expenses paid	(1,630,625)	(12,226)	(14,378)	(353,325)	(297,182)	(2,307,736)
Income taxes paid	(1,753)	-	-	-	-	(1,753)
Net Cash Provided (Used) by Operating Activities	205,183	9,270	3,206	23,175	(113,034)	127,800
Cash Flows From Investing Activities:						
Purchase of property and equipment	(11,384)	-	-	-	-	(11,384)
Change in certificates of deposits	-	-	-	-	(100,271)	(100,271)
Net Cash Used by Investing Activities	(11,384)	-	-	-	(100,271)	(111,655)
Cash Flows From Financing Activities:						
Transfers	(223,140)	-	-	(80,000)	303,140	-
Change in due (to) from other fund	14,771	-	(729)	(23,095)	9,053	-
Net Cash (Provided) Used by financing Activities	(208,369)	-	(729)	(103,095)	312,193	-
Net Increase (Decrease) in Cash and cash Equivalents	(14,570)	9,270	2,477	(79,920)	98,888	16,145
Cash and Cash Equivalents - Beginning of Year	592,642	41,721	1,281	96,509	413,345	1,145,498
Cash and Cash Equivalents - End of Year	\$ 578,072	\$ 50,991	\$ 3,758	\$ 16,589	\$ 512,233	\$ 1,161,643

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

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Statement of Cash Flows
Year Ended December 31, 2016

	Operating Fund	Yacht Club Committee Fund	Recreation Committee Fund	Special Assessment Fund	Replacement Fund	Total
Reconciliation of excess (deficit) revenues over expenses to net cash provided (used) by operating activities:						
Excess (deficit) revenues over expenses	\$ 206,874	\$ 11,225	\$ 3,206	\$ 24,753	\$ (113,034)	\$ 133,024
Adjustments to reconcile excess (deficit) revenues over expenses to net cash provided (used) by operating activities:						
Depreciation	8,289	-	-	-	-	8,289
Decrease (increase) in operating assets:						
Assessments receivable	(3,111)	-	-	(1,062)	-	(4,173)
Prepaid insurance	(10,080)	-	-	-	-	(10,080)
Other prepaids and assets	10,265	-	-	-	-	10,265
Increase (decrease) in operating liabilities						
Accounts payable	(7,843)	-	-	-	-	(7,843)
Accrued expenses	(3,592)	-	-	-	-	(3,592)
Income taxes payable	1,604	-	-	-	-	1,604
Prepaid assessments	2,777	(1,955)	-	-	-	822
Deferred special assessment	-	-	-	(516)	-	(516)
Total Adjustments	(1,691)	(1,955)	-	(1,578)	-	(5,224)
Net cash provided (used) by operating activities	205,183	9,270	3,206	23,175	(113,034)	127,800

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

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Notes to the Financial Statements
December 31, 2016

Note 1 – Nature of Organization and Management Review

Nature of Organization

Longboat Harbour Owners Association, Inc. ("the Association"), a Florida not-for-profit corporation formed on April 4, 1972 merged with First Longboat Condominium, Inc. and Second Longboat Condominium, Inc. in a statutory merger on November 15, 2000. The surviving corporation was the Association. The Association is responsible for the operation and maintenance of the common property of Longboat Harbour Owners Association. The Association consists of 300 condominium units located on Longboat Key, Florida.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken.

Management Review

The Association has evaluated events and transactions for potential recognition or disclosure through April 20, 2017, the date the financial statements were available to be issued.

Note 2 – Summary of Significant Accounting Policies

Financial Statements

The financial statements and notes are the representations of the Association's management, who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of 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. The operating fund reflects the operating assessments paid by unit owners to meet the regular costs of operation. Expenditures of this fund are limited to those connected with the day-to-day operations and non-recurring unanticipated expenditures.

Yacht Club Committee Fund - This fund is used for financial resources available for the Yacht Club Committee operations of the Association.

Recreation Committee Fund - This fund is used for financial resources available for the Recreation Committee operations of the Association.

Special Assessment Fund – This fund is used to account for the financial resources available from Special Assessments levied by the Association.

Replacement Fund – This fund is used to account for financial resources designated for future major repairs and replacements. The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly-owned assets. Disbursements from the reserve fund may generally be made only for designated purposes.

Interest Earned on Reserves

The Association's policy is to include in the replacement fund any interest earned on the replacement fund investments.

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Notes to the Financial Statements
December 31, 2016

Note 2 – Summary of Significant Accounting Policies - continued

Allocation of Income and Expenses

The allocation of income and expenses to Association members is based on the condominium documents, which state that the Association members share in the income and expenses of the Association according to percentages based on the unit size and location.

Member Assessments

Revenue from member assessments are recognized in the period to which they apply, and payments in advance are deferred to the appropriate future period. These advanced payments are recorded as prepaid assessments as of the balance sheet date. The Association bills its members in advance, on a monthly basis, assessments based upon approved budgets which estimate the amount of funds needed to provide for the administration, operation and management of the Association. Excess assessments at year end are retained by the Association for use in the succeeding year.

The following amounts were billed for the operating and replacement fund for the year ended December 31, 2016:

	<u># of Units</u>	<u>Monthly Assessment</u>	<u>Total Assessment</u>
Phase I			
1 bedroom	24	\$451	\$ 129,888
2 bedroom	84	531	535,248
End unit	42	612	308,448
Phase II			
1 bedroom	24	456	131,328
2 bedroom	84	532	536,256
End unit	<u>42</u>	608	<u>306,432</u>
Total	<u>300</u>		<u>\$1,947,600</u>

Assessments Receivable

The Association records assessments and other receivables at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. The Association's management has provided an allowance for uncollectible assessments of \$0 as of December 31, 2016. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent.

Income Taxes

The Association has the option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code, whereby non-exempt, function income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net, non-function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2016 the Association filed its tax return under Section 528.

FASB ASC 740, *Income Taxes*, sets forth standards for financial presentation and disclosure of income tax liabilities and expenses and clarifies the accounting for uncertainty in income taxes recognized. In accordance with FASB ASC 740, *Income Taxes*, the Association has evaluated its tax positions and determined that the Association has no uncertain income tax positions that could have a material effect on the financial statements.

As of the date of the financial statements, the Association's federal income tax returns for 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service. These returns are open to examination generally for three years after they were filed.

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Notes to the Financial Statements
December 31, 2016

Note 2 – Summary of Significant Accounting Policies - continued

Advertising Expense

The Association expenses advertising costs as incurred. The Association incurred \$495 in advertising expenses during the year ended December 31, 2016.

Cash and Cash Equivalents

For purposes of the balance sheet and the statement of cash flows, the Association considers demand deposits with banks, money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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 certain 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Property and Equipment

The Association has the responsibility to preserve and maintain the commonly owned assets. Real property and common areas acquired from the developer and related improvement to such property are not reflected in the Association's financial statements. These properties are owned by the individual unit owners in common and not by the Association.

The Association capitalizes property and equipment costing over \$2,500 and with a useful life of over two years. Other expenditures for maintenance and repairs and charged to operations in the year the costs are incurred. The Association's property and equipment is depreciated using the straight-line method over its estimated useful life of five to ten years.

Compensated Absences

Compensated absences for vacation, sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Association's policy is to recognize these costs in the period that they are paid. Management believes that this policy does not materially affect the accompanying financial statements.

Note 3 – Concentrations

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits. The Association places its cash and cash equivalents with local financial institutions. Although the Association manages its credit risk through diversification, at times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Association has not experienced any losses in such accounts and does not believe it is exposed to significant credit risk on cash and cash equivalents.

All revenues are generated from unit owners of a single residential community located in a small geographic area. A loss of revenue could disrupt operations and have a severe impact on the Association.

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Notes to the Financial Statements
December 31, 2016

Note 4 – Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2016 is as follows:

Office equipment	\$ 12,356
Laundry room equipment	51,822
Fitness equipment	8,857
Maintenance equipment	51,859
Kitchen equipment	8,001
Pool furniture	13,605
Computers and software	<u>7,944</u>
Total cost	154,444
Accumulated depreciation	<u>(134,215)</u>
Total	<u>\$ 20,229</u>

Note 5 – Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations.

An independent study was updated in 2016 to determine the funding necessary to meet estimated expenditures of future major repairs and replacements. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the 2016 updated study. The Board is calculating funding for major repairs and replacements over the remaining useful lives of the replacement fund components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. The funding requirement for 2017 on the pooling method is \$916,800. The 2017 budget includes funding of \$183,700. The owners voted to partially fund the replacement fund for 2016 and 2017.

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 replacements until funds are available.

Note 6 – Special Assessment

During 2016, the Board of Directors approved a special assessment of \$378,000 for the painting of the residential buildings and carports. The assessment was allocated to each unit owner in proportionate to their share of the common elements. The special assessment ranged from \$1,050 to \$1,425 per unit and was due in two payments on June 15, 2016 and August 15, 2016.

During 2016, the Board of Directors approved an \$80,000 transfer of prior years unused special assessments to the reserve fund. The balance of the special assessment fund is available to offset future assessments.

Longboat Harbour Owners Association, Inc.
Longboat Key, Florida

Notes to the Financial Statements
December 31, 2016

Note 6 – Special Assessment – continued

During October 2016, the Board of the Directors approved a special assessment not to exceed \$1,500,000 to be used for reconstruction projects that include replacement of mansards and flooring on the first floor of all residential buildings. The aggregate assessment has been allocated to each unit owner proportionate to each unit owners' share of the common elements as prescribed in the Association's documents. The amount allocated to each unit owner will be payable in two equal payments due February 15, 2017 and May 15, 2017. The total assessments range from \$4,167 for a one bedroom unit to \$5,655 for an end unit.

Note 7 – Contingency

The Associations current windstorm policy includes a 3% deductible clause. Based upon an insured value of the building and contents of approximately \$34.5 million, the first 3% or approximately \$1 million in damages caused by a hurricane, as further defined in the insurance policy, would be the responsibility of the Association.

Note 8 - Commitment

Cable

On September 9, 2008, the Association entered into a bulk installation and service agreement for cable with a local cable service provider. The term of the contract was through February 28, 2014 and renews for successive periods of three years unless either party provides ninety days' written notice. On February 28, 2017, the agreement automatically renewed for an additional three years. The service provider has the right to increase the fee up to 3% per year.

Elevator

During 2016, the Association signed an elevator maintenance contract. The original term is for five years and extends for additional five year periods unless either party provides ninety days written notice. The monthly fee is \$1,610 per month.

Based on current costs, future minimum payments under these agreements as of December 31 are as follows:

Year Ended	
2017	\$ 118,464
2018	118,464
2019	118,464
2020	35,844
2021	9,660
Thereafter	<u>-</u>
Total	<u>\$ 400,896</u>

SUPPLEMENTARY INFORMATION

Longboat Harbour Owners Association, Inc.

Longboat Key, Florida

Supplementary schedule of Replacement Fund Activity

Year Ended December 31, 2016

Beginning pooled replacement fund balance	<u>\$ 413,930</u>
Revenues	
Member assessments	183,700
Interest	<u>448</u>
Total revenues	<u>184,148</u>
Expenses	
Painting	(184,306)
Roof	(82,900)
Pool	<u>(29,976)</u>
Total expenses	<u>(297,182)</u>
Transfers	<u>303,140</u>
Ending pooled replacement fund balance	<u>\$ 604,036</u>

Read independent auditor's report

Longboat Harbour Owners Association, Inc.

Longboat Key, Florida

Supplementary Information on Future Major Repairs and Replacements

December 31, 2016

(Unaudited)

Annually, the Association management and board of directors review estimates of the remaining useful lives and the current replacement costs of the components of common property. These estimates are based on an updated independent study conducted in 2016.

<u>Reserve Component</u>	<u>Estimated Remaining Life In Years</u>	<u>Estimated Cost to Replace</u>
Carports	26-27	\$ 1,496,340
Common area interiors	0-16	392,635
Mechanical and electrical	6-14	930,660
Painting and waterproofing	7-11	374,423
Pavement	0-19	428,194
Pools	3-11	59,268
Roofs	0-34	3,188,483
Screen cages and railings	0-26	690,060
Sewalls and docks	4-26	2,385,244
Site lighting	9	<u>35,488</u>
		<u>\$ 9,980,795</u>

Read note 5

Read independent auditor's report