

Cypress Lakes Master Homeowners Association  
**APPROVED BUDGET** of Revenues Expenses  
 January 1 2017-December 31 2017

GL #	Revenues	2016 Budget	2016 Projected	2017 APPROVED BUDGET	Variance 2017 BUDGET to 2016 PROJECTED \$
<b>Income</b>					
500	Maintenance Fees	2,371,200	2,358,529	2,371,200	12,671
501	Bank Interest	300	230	500	270
502	Legal & Late Fees	10,000	11,690	5,000	(6,690)
503	NSF / Admin. Income	500	667	700	33
504	Miscellaneous Income	500	9,686	4,000	(5,686)
505	Copy Income	1,500	2,755	2,800	45
506	Estoppel Income	7,500	7,880	7,500	(380)
507	Document Income	400	910	1,000	90
511	Newsletter Income	3,800	4,000	4,000	0
512	Plat Monthly Accounting	2,040	0	2,400	2,400
513	Keys Income	0	0	1,000	1,000
	<b>TOTAL INCOME</b>	<b>\$2,397,740</b>	<b>\$2,396,347</b>	<b>\$2,400,100</b>	<b>\$3,753</b>
<b>EXPENSES</b>					
<b>Payroll // Personnel</b>					
600	Wages	405,600	31,430	32,400	(970)
601	FICA	31,000	30,832	33,100	(2,268)
602	Health Insurance	62,000	49,647	50,000	(353)
603	IRA	3,000	2,948	3,000	(52)
604	FUTA	800	79	750	(671)
605	SUI	3,200	56	1,650	(1,594)
606	Workers Comp.	20,000	2,566	20,000	(17,434)
607	Employee Bonuses	7,500	2,150	5,500	(3,350)
608	Mileage Reimbursement	2,000	1,165	1,500	(335)
609	Pre-Employment Tests	250	382	500	(118)
610	PR office		141,725	146,000	(4,275)
611	PR maintenance		58,464	59,000	(536)
612	PR irrigation		49,407	53,600	(4,193)
613	PR golf		137,222	141,900	(4,678)
	<b>SUBTOTAL:</b>	<b>535,350</b>	<b>508,073</b>	<b>548,900</b>	<b>(40,827)</b>
<b>Utilities</b>					
620	Telephones	\$17,000	\$13,677	\$14,000	(323)
621	Electric	\$130,000	\$113,075	\$118,700	(5,625)
622	Water & Sewer	\$15,000	\$15,394	\$16,200	(806)
623	Cell Phones	\$4,200	\$3,659	\$3,800	(141)
624	Cable	\$426,000	\$419,359	\$419,400	(41)
625	Solid Waste	\$500	\$4,352	\$4,400	(48)
626	Reclaimed Water	\$5,000	\$1,729	\$1,800	(71)
	<b>SUBTOTAL:</b>	<b>597,700</b>	<b>571,245</b>	<b>578,300</b>	<b>(7,055)</b>

**2017 Master Maintenance = \$200.00**

Cypress Lakes Master Homeowners Association  
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 January 1 2017-December 31 2017

GL #		2016 Budget	2016 Projected	2017 APPROVED BUDGET	Variance 2017 BUDGET to 2016 PROJECTED \$
<b>Office / Administrative</b>					
650	Office Supplies	14,000	13,404	10,900	2,504
651	Equipment & Service Leases	5,000	7,090	7,200	(110)
652	Professional Services	9,500	13,605	10,000	3,605
653	Computer / Scroll	1,000		0	0
654	Miscellaneous Expense	2,500	13,408	5,600	7,808
655	Filing Fees & Permits	2,000	1,042	1,000	42
656	Attorney Fees	28,000	27,661	25,000	2,661
657	Heart Monitor	100	0	100	(100)
	<b>SUBTOTAL:</b>	<b>62,100</b>	<b>76,210</b>	<b>59,800</b>	<b>16,410</b>
<b>Building Maintenance</b>					
699	Interior Repairs	5,000	1,275	1,500	(225)
700	Janitorial	9,000	6,094	8,000	(1,906)
710	Building Supplies	10,000	0	0	0
711	Gas / Generator	100	0	0	0
712	Electrical Repairs	7,500	5,898	7,500	(1,602)
713	Golf Cart / Gator	2,500	2,310	2,000	310
714	Plumbing	1,000	1,022	1,000	22
715	Painting	2,000	854	2,000	(1,146)
716	A/C Repairs	8,000	9,804	6,000	3,804
717	Fire Inspections	600	0	500	(500)
718	Exterior Repairs	10,000	11,003	10,000	1,003
719	Sound System / Camera's	3,500	4,633	3,500	1,133
	<b>SUBTOTAL:</b>	<b>59,200</b>	<b>42,893</b>	<b>42,000</b>	<b>893</b>
<b>Golf</b>					
720	Fertilizer	20,000	30,494	25,000	5,494
721	Chemicals	20,000	16,424	17,000	(576)
722	Sand	5,800	4,008	5,000	(992)
723	Irrigation	5,500	19,456	10,000	9,456
724	Fuel	10,000	5,005	6,000	(995)
725	Equipment Maint. & Leases	13,000	5,579	7,000	(1,421)
726	Supplies	4,000	6,762	8,000	(1,238)
727	Parts / Repairs	7,500	3,144	5,000	(1,856)
728	Pumps & Motors	3,500	0	3,000	(3,000)
730	Landscaping	10,000	3,703	5,000	(1,297)
	<b>SUBTOTAL:</b>	<b>99,300</b>	<b>94,575</b>	<b>91,000</b>	<b>3,575</b>

Cypress Lakes Master Homeowners Association  
**APPROVED BUDGET of Revenues Expenses**  
 January 1 2017-December 31 2017

GL #		2016 Budget	2016 Projected	2017 APPROVED BUDGET	Variance 2017 BUDGET to 2016 PROJECTED \$
<b>Contract Services</b>					
740	Lakes Maintenance	11,940	29,307	15,000	14,307
741	Pest Control	2,100	1,656	1,500	156
742	Gate Security	219,800	202,550	229,000	(26,450)
743	Fire / Burglar Alarm	1,100	1,340	1,500	(160)
744	COP Program	2,500	1,358	2,000	(642)
745	Muzak	1,500	1,963	1,800	163
746	Insurance	100,000	107,888	100,000	7,888
747	Contracted Employees	42,000	42,060	43,200	(1,140)
748	Gate Maintenance	3,050	6,996	4,000	2,996
	<b>SUBTOTAL:</b>	<b>383,990</b>	<b>395,118</b>	<b>398,000</b>	<b>(2,882)</b>
<b>Pool</b>					
750	Pool Deck	2,975	2,775	3,000	(225)
751	Pumps & Motors	0	0	0	0
752	Chemicals	15,000	18,750	18,000	750
753	Water Testing	400	0	400	(400)
754	Heaters	2,000	2,134	2,000	134
755	Chemical Feeders	1,000	512	1,000	(488)
756	General Supplies	2,000	9,132	2,000	7,132
757	Furniture	2,500	0	2,000	(2,000)
	<b>SUBTOTAL:</b>	<b>25,875</b>	<b>33,303</b>	<b>28,400</b>	<b>4,903</b>
<b>Grounds/Maintenance</b>					
760	Routine Landscaping	70,452	70,558	68,400	2,158
761	White Fly / Spiral Fly Treatments	15,600	10,735	12,000	(1,265)
762	Tree Trimming	15,000	18,696	4,000	14,696
763	Critter Control	1,500	75	500	(425)
764	Plantings	5,000	3,600	5,000	(1,400)
	<b>SUBTOTAL:</b>	<b>107,552</b>	<b>103,664</b>	<b>89,900</b>	<b>13,764</b>
<b>Activities / Recreational</b>					
850	Bingo	1,000	984	600	384
851	Newsletter	12,000	11,765	12,000	(235)
852	CERT	250	0	200	(200)
853	Movies	1,280	0	1,300	(1,300)
854	Billiards / Hobbies	3,000	2,179	3,000	(821)
855	Kitchen / Food/maintenance	3,000	4,114	4,000	114
856	Exercise Equipment Maint. Contract	1,600	1,081	1,500	(419)
857	Directory	4,000	0	4,000	(4,000)
858	Exercise Equipment Repairs	2,500	1,147	2,000	(853)
	<b>SUBTOTAL:</b>	<b>28,630</b>	<b>21,270</b>	<b>28,600</b>	<b>(7,330)</b>

Cypress Lakes Master Homeowners Association  
 APPROVED BUDGET of Revenues Expenses  
 January 1 2017-December 31 2017

GL #		2016 Budget	2016 Projected	2017 APPROVED BUDGET	Variance 2017 BUDGET to 2016 PROJECTED \$
Irrigation					
800	Parts / Repairs	30,000	8,900	20,000	(11,100)
801	Pumps & Motors	9,000	7,570	9,000	(1,430)
802	Fountain Repairs	8,000	2,291	3,000	(709)
803	Main Line Repairs	6,000	270	4,000	(3,730)
804	Clock Repairs / Replacement	1,000	0	100	(100)
805	Fountain Chemicals	2,500	500	0	500
	<b>SUBTOTAL:</b>	<b>56,500</b>	<b>19,531</b>	<b>36,100</b>	<b>(16,569)</b>
Reserve Transfer					
900	Reserve Transfer	441,543	530,465	499,100	31,365
	<b>SUBTOTAL:</b>	<b>441,543</b>	<b>530,465</b>	<b>499,100</b>	<b>31,365</b>
<b>Total Expenses</b>					
		<b>2016 Budget</b>	<b>2016 Projection</b>	<b>2017 Budget</b>	<b>Difference (\$)</b>
		<b>\$2,397,740</b>	<b>\$2,396,347</b>	<b>\$2,400,100</b>	<b>(\$3,753)</b>

GL	Description	PROJECTED Fund Balance at Y/E 12/31/2016	Funding 2017	2017 Monthly	Proposed Expenditures 2017	PROJECTED Fund Balance at Y/E 12/31/2017
3100	Interest - Unallocated	18,676				
3115	Pool / Jacuzzi Resurfacing	27,332	3,000	250		21,676
3120	Roads/Paving/Walkways	77,305	12,000	1,000		39,332
3120	Reserve for new Drains & Replacements	338,653	24,000	2,000		101,305
3125	Furniture	49,440	215,700	17,975	(50,000)	504,353
3130	Roofs	15,574	6,000	500		55,440
3135	Capital Improvements	17,506	6,000	500		21,574
3155	Tree / Landscape Replacement	29,582	24,000	2,000		41,506
3160	Lights	32,400	12,000	1,000	(25,000)	16,582
3170	Gutters & Downspouts	11,560	2,400	200		34,800
3175	Golf Equipment	28,742	4,800	400		16,360
3180	Tennis / Shuffleboard / Bocce / Recreational	30,992	12,000	1,000		40,742
3185	Golf Course Capital Improvement Expenditure	68,279	12,000	1,000		42,992
3190	Floors	29,845	23,000	1,917	(35,000)	56,279
3195	Insurance Deductible	162,562	6,000	500		35,845
3200	Guardhouse & Gates	19,903				162,562
3240	Mechanical & Electrical	25,536	12,000	1,000		31,903
3250	Office Equipment	33,174	18,000	1,500		43,536
3260	Utility Vehicle	29,826	3,000	250		36,174
3280	Painting / Waterproofing	23,767	6,000	500		35,826
3281	Fences	58,553	6,000	500		29,767
3282	Pool Deck	14,396	18,000	1,500		76,553
3283	Pumps and Irrigation	55,232	42,000	3,500		56,396
3285	Exercise Equipment / Billiards	8,307	12,000	1,000	(10,000)	57,232
3286	A/C Units	43,180	6,000	500		14,307
<b>TOTALS</b>		<b>1,250,322</b>	<b>499,100</b>	<b>41,592</b>	<b>(120,000)</b>	<b>1,629,422</b>

## REVISED

### 2017 PLANNED EXPENDITURES:

ADDITIONAL DRAINS AS NEEDED	(\$50,000)
LANDSCAPE CIRCLE BY "A" BLDG	(\$25,000)
RENOVATE GOLF PRO SHOP	(\$25,000)
LANDSCAPING ON GOLF COURSE	(\$10,000)
WELL & PUMP @ UNATTACHED LAKE	(\$10,000)
	<u>(\$120,000)</u>

Payroll	548,900
Utilities	578,300
Office / Admin.	59,800
Building Maintenance	42,000
Golf	91,000
Contract Services	398,000
Pool	28,400
Grounds	89,900
Activities	28,600
Irrigation	36,100
Reserves	499,100
Expenses	<u>2,400,100</u>
Income	<u>2,400,100</u>
Surplus	<u>0</u>

988 UNITS @ \$200/Mo  
x 12 Mos. + Misc  
Income

Master's Monthly Maintenance = \$200

**Cypress Lakes Master Homeowners' Association, Inc.**

**Financial Statements**

**For the Year Ended December 31, 2015**

Independent Auditor's Report

Financial Statements & Supplementary Information

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**Cypress Lakes Master Homeowners' Association, Inc.**  
**Balance Sheet**  
**December 31, 2015**

**Assets**

<b>Assets</b>	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total All Funds</b>
Cash	\$ 176,084	\$ 138,705	\$ 314,789
Certificates of deposit		1,050,481	1,050,481
Assessments receivable (net of allowance for doubtful accounts of \$52,763)	39,656		39,656
Due from other	13,624		13,624
Prepaid insurance	80,283		80,283
Other prepaid expenses	29		29
Equipment	431,534		431,534
Accumulated depreciation	(400,430)		(400,430)
<b>Total assets</b>	<b>\$ 340,780</b>	<b>\$ 1,189,186</b>	<b>\$ 1,529,966</b>

**Liabilities and Fund Balance**

**Liabilities**

Accounts payable & accrued expenses	\$ 26,948	\$ -	\$ 26,948
Prepaid assessments	97,072		97,072
Accrued payroll liabilities	16,270		16,270
Interfund borrowings	110	(110)	-
<b>Total liabilities</b>	<b>140,400</b>	<b>(110)</b>	<b>140,290</b>

**Fund Balance**

Unrestricted	200,380		200,380
Restricted - replacement fund		1,189,296	1,189,296
<b>Total fund balance</b>	<b>200,380</b>	<b>1,189,296</b>	<b>1,389,676</b>
<b>Total liabilities and fund balance</b>	<b>\$ 340,780</b>	<b>\$ 1,189,186</b>	<b>\$ 1,529,966</b>

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Balance**  
**For the Year Ended December 31, 2015**

	Operating Fund	Replacement Fund	Total All Funds
<b>Revenues</b>			
Maintenance assessments	\$ 2,013,516	\$ 357,684	\$ 2,371,200
Estoppel fees	10,075		10,075
Interest income	806	4,052	4,858
Late fees	14,570		14,570
Newsletter & directory ads	5		5
Other income	6,269	-	6,269
Total revenues	2,045,241	361,736	2,406,977
<b>Expenses</b>			
Payroll	537,994		537,994
Utilities	591,519		591,519
Office & administrative	109,752	-	109,752
Golf	99,037		99,037
General building maintenance	79,626		79,626
Contract services	381,001		381,001
Pool	30,119		30,119
Grounds maintenance	87,026		87,026
Activities & recreational	14,084		14,084
Irrigation	33,299		33,299
Reserve expenditures & adjustments	-	194,112	194,112
Total expenses	1,963,457	194,112	2,157,569
Excess of revenues over expenses	81,784	167,624	249,408
Fund balance beginning of the year	252,690	887,578	1,140,268
Additional transfers to reserves	(134,094)	134,094	-
Fund balance end of the year	<u>\$ 200,380</u>	<u>\$ 1,189,296</u>	<u>\$ 1,389,676</u>



**Cypress Lakes Master Homeowners' Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	Operating Fund	Replacement Fund	Total All Funds
<b>Cash flows provided by operating activities:</b>			
Maintenance assessments	\$ 2,028,692	\$ 357,684	\$ 2,386,376
Estoppel fees	10,075		10,075
Interest income	806	4,052	4,858
Late fees	14,570		14,570
Newsletter ads	5		5
Other income	6,269		6,269
Transfer to reserves	(134,094)	134,094	-
Interfund borrowings	(1,121)	1,121	-
Operating expenditures	(1,837,159)		(1,837,159)
Reserve expenditures		(194,112)	(194,112)
<b>Net cash provided by operating activities</b>	<b>88,043</b>	<b>302,839</b>	<b>390,882</b>
<b>Cash flows provided by (used in) investing activities:</b>			
Purchase of certificate of deposit		(625,810)	(625,810)
<b>Net cash provided by (used in) investing activities</b>	<b>-</b>	<b>(625,810)</b>	<b>(625,810)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>88,043</b>	<b>(322,971)</b>	<b>(234,928)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>88,041</b>	<b>461,676</b>	<b>549,717</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 176,084</b>	<b>\$ 138,705</b>	<b>\$ 314,789</b>

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Statement of Cash Flows - Continued**  
**For the Year Ended December 31, 2015**

	Operating Fund	Replacement Fund	Total All Funds
<b>Reconciliation of excess of revenues over expenses to net cash provided by operating activities:</b>			
<b>Excess of revenues over expenses</b>	<u>\$ 81,784</u>	<u>\$ 167,624</u>	<u>\$ 249,408</u>
<b>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</b>			
Depreciation expense	7,047		7,047
Transfer to reserves	(134,094)	134,094	-
Interfund borrowings	(1,121)	1,121	-
Decrease in accounts receivable	19,030		19,030
Increase in allowance for doubtful accounts	(3,854)		(3,854)
Decrease in due from other	83,738		83,738
Increase in prepaid insurance	(62)		(62)
Increase in other prepaid expenses	10,456		10,456
Decrease in accounts payable	(16,897)		(16,897)
Increase in prepaid assessments	36,281		36,281
Increase in payroll liabilities	5,735		5,735
<b>Total adjustment to excess of revenues over expenses</b>	<u>6,259</u>	<u>135,215</u>	<u>141,474</u>
<b>Net cash provided by operating activities</b>	<u>\$ 88,043</u>	<u>\$ 302,839</u>	<u>\$ 390,882</u>

**Disclosure of accounting policy:**

Cash and cash equivalents represent accounts that have a maturity of ninety days or less.

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Notes to Financial Statements**  
**Year ended December 31, 2015**

Note 1

**Nature of Organization and Summary of Significant Accounting Policies**

Nature of Organization

The Association was formed as a homeowners' association in 1979 (a Florida corporation) for the purpose of maintaining the Association common property. Cypress Lakes Master Homeowners' Association, Inc. consists of 988 residential units located in West Palm Beach, Florida. The Association is responsible for the operation and maintenance of the common property.

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's financial statements are prepared on the accrual basis of accounting and it maintains its records using fund accounting. Revenues are primarily derived from member payments of certain maintenance assessment fees. Assessments paid by members in advance of the period to which they apply are included as a liability in the accompanying balance sheet. Any excess assessments at year-end are retained by the Association for use in future years. 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 Fund - This fund is used to account for financial resources restricted but available for future major repairs and replacements of the Association.

MEMBER ASSESSMENTS

Association members are subject to monthly assessments to provide funds for the Association's operating expenses on a per unit basis. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments become seriously delinquent which is over ninety days past due. Interest income on delinquent accounts is recognized when it is collected. The Association monitors the delinquent accounts and calculates an allowance for doubtful accounts as the delinquent accounts become less likely to be collected. When all efforts to collect the delinquent accounts have failed, the accounts are written off against the allowance for doubtful accounts. As of December 31, 2015, there was \$92,419 due to the association from members. Should all members default on their obligations to the Association, this entire amount would be subject to being a credit loss. The Association has accumulated an allowance for doubtful accounts in the amount of \$52,763 as of December 31, 2015 which includes an amount of assessments and fines whose collection is questionable and represents balances in excess of one year's maintenance fees past due. Prepaid assessments of \$97,072 represent amounts paid in advance by members as of December 31, 2015.

INCOME TAXES

The Association files its income tax return under Section 528 of the Internal Revenue Code. This section allows a homeowners' association to exclude from taxation "exempt function income" which is the excess of revenues from members' assessments over expenditures for the maintenance of the common property. The Association's investment income and other non-exempt income is subject to tax. The income tax expense for 2015 is -0-. The tax returns for the years 2012, 2013, and 2014 remain available for audit by the Internal Revenue Service; however, as of the date of these financial statements, there has been no notification from the Internal Revenue Service that it intends to perform any such audits.

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Notes to Financial Statements**  
**Year ended December 31, 2015**

**Note 1**

**Nature of Organization and Summary of Significant Accounting Policies - continued**

**PROPERTY AND EQUIPMENT**

Real property acquired by the original homeowners from the developer is not recognized on the Association's financial statements because it is commonly owned by the individual members and its disposition by the Association's Board of Directors is restricted. The Association capitalizes personal property at cost and depreciates it using a straight line method over the estimated useful lives of the respective fixed assets. Depreciation expense for the year ended December 31, 2015 was \$7,047.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Note 2**

**Cash and Cash Equivalents**

Cash and cash equivalents represent accounts that have a maturity of ninety days or less. Investments are accounts with a maturity of more than ninety days. The Association has \$1,050,481 invested in certificates of deposit at varying rates of interest with various maturity dates occurring throughout 2016 and beyond.

**Note 3**

**Fair Value of Financial Instruments**

The carrying amount of cash, receivables and payables approximate their fair values due to their short term maturities.

**Note 4**

**Replacement Fund (Reserves)**

The Association's governing documents allow for funds to be accumulated for future major repairs and replacements. Accumulated funds, which were \$1,189,186 at December 31, 2015, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to retain in the fund any interest earned.

Under Florida Statutes, the Association is required to include in the annual budget reserve accounts for capital expenditures and deferred maintenance. The statutes require that these accounts must include, but not be limited to, roof replacement, building painting and pavement resurfacing and each item of common property with a replacement cost of more than \$10,000. The amount to be reserved must be computed by means of a formula, which is based upon the estimated life and estimated replacement cost of each reserve item. The members may vote to not fund the replacement reserves or only partially fund the replacement reserves on an annual basis.

The Association estimated the remaining useful lives and the replacement costs of the common property components based on an prior and anticipated future costs. The funding program was included in the proposed budget for 2015 which was presented to members at a general meeting in 2014. At this meeting, the Board of Directors voted to partially fund the reserve funds in the amount of \$357,684. During 2014, the Board of Directors also transferred \$134,094 to the reserves in addition to the \$357,684 partial funding for the year.

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Notes to Financial Statements**  
**Year ended December 31, 2015**

**Note 4**      **Replacement Fund (Reserves) - continued**

At December 31, 2015, the total amount that is in the replacement fund is less than the amount necessary for full funding using the straight line regulated method by the approximate amount of \$270,640. This shortfall is calculated using the estimated lives, remaining lives, and replacement costs determined by the Board of Directors. If the Association wishes to have a fully funded replacement fund, it would have to increase assessments to this reserve by \$270,640 to make up this shortage. This shortfall is approximately \$273 per unit.

Because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacements. However, if additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, or it may delay major repairs and replacements until funds are available.

**Note 5**      **Contingencies**

The Association has purchased windstorm and hail insurance for the common property. In the event of a loss caused by windstorm or hail, the Association could be responsible for an amount up to the windstorm deductible (i.e., 5% of the insured value of \$3,101,948), which is \$155,097. As of December 31, 2015, the Association had accumulated \$162,562 in the replacement fund for the insurance deductible and windstorm damage. Should related expenses exceed the \$162,562 reserved, the Association has the right to pass a special assessment to members for any shortfall.

The Association currently has on deposit a total of \$1,365,270 in various financial institutions. Each bank insures the respective account total for up to \$250,000. At December 31, 2015, there was \$478,760 deposited in excess of the FDIC insured limits.

The Association has various contract services to maintain the common property including management services, lawn maintenance, cable television, and pest control. These contracts are renewed annually and have different expiration dates and renewal terms.

**Note 6**      **Due From Other**

As of the release of these financial statements, the Association had made an insurance claim of approximately \$13,624 for alleged misappropriated assets by a former employee which covered the period from December 2014 through May 2015. The Association was reimbursed the full amount of \$13,624 in 2016.

**Note 7**      **Compensated Absences**

Compensated absences consist of unpaid accumulated annual sick and vacation leave. Sick and vacation leave is specified on a per employee basis primarily based on length of service and service position. Some benefits may be forfeited if not taken within certain time periods. As of December 31, 2015, the total compensated absences amount due to employees was \$11,830.

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Notes to Financial Statements**  
**Year ended December 31, 2015**

**Note 8**      **SIMPLE IRA Plan**

The Association offers a SIMPLE IRA plan which allows employees and the Association, as employer, to set aside funds in individual retirement accounts for each eligible and participating employee. The Association is generally required to match up to 3% of eligible compensation per year for each participating employee. Employee contributions are elective and employees are always 100% vested in their account balances. There was no annual administrative cost of the plan, and the total amount contributed by the Association to employee accounts was \$2,424 for 2015.

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**Note 9**      **Date of Management Review**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 8, 2016, the date the financial statements were available to be issued.

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Schedule of Operating Fund Revenues & Expenses**  
**Budget and Actual**  
**For the Year Ended December 31, 2015**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues</b>			
Maintenance assessments	\$2,371,200	\$2,371,200	\$ -
Estoppel fees	10,075	4,500	(5,575)
Interest income	806	1,000	194
Late fees	14,570	7,000	(7,570)
Newsletter ads	5	-	(5)
Other income	6,269	4,740	(1,529)
<b>Total Revenues</b>	<b>2,402,925</b>	<b>2,388,440</b>	<b>(14,485)</b>
<b>Expenses</b>			
<b>Payroll</b>			
Wages	424,641	390,000	(34,641)
Bonuses	2,724	7,500	4,776
Payroll taxes	38,306	48,000	9,694
Health insurance	57,828	58,702	874
IRA contributions	2,424	3,500	1,076
Mileage reimbursements	690	2,000	1,310
Workman's compensation	10,982	17,500	6,518
Employment screening	399	500	101
<b>Total Payroll</b>	<b>537,994</b>	<b>527,702</b>	<b>(10,292)</b>
<b>Utilities</b>			
Telephone	16,547	14,500	(2,047)
Electricity	126,679	120,000	(6,679)
Water & sewer	18,501	13,000	(5,501)
Cell phones	3,208	4,200	992
Cable TV	419,243	448,359	29,116
Solid waste	4,325	2,500	(1,825)
Reclaimed water	3,016	5,000	1,984
<b>Total Utilities</b>	<b>591,519</b>	<b>607,559</b>	<b>16,040</b>

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Schedule of Operating Fund Revenues & Expenses**  
**Budget and Actual**  
**For the Year Ended December 31, 2015**

<b>Expenses - Continued:</b>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Office &amp; Administrative</b>			
Office supplies	23,460	12,500	(10,960)
Equipment & service leases	6,643	5,000	(1,643)
Professional fees	15,405	9,500	(5,905)
Computer expense	-	1,000	1,000
Miscellaneous	2,151	8,000	5,849
Filing fees & permits	987	2,000	1,013
Depreciation	7,047		(7,047)
Legal fees	29,600	25,000	(4,600)
Bad debt	24,459		(24,459)
Heart monitor	-	100	100
<b>Total Office &amp; Administrative</b>	<b>109,752</b>	<b>63,100</b>	<b>(46,652)</b>
<b>Golf</b>			
Fertilizer	32,304	18,000	(14,304)
Chemicals	15,897	18,000	2,103
Sand & supplies	11,501	7,800	(3,701)
Irrigation	6,266	5,500	(766)
Fuel	7,053	10,000	2,947
Equipment maintenance	9,544	13,000	3,456
Parts & repairs	4,552	7,500	2,948
Pumps & motors	3,334	3,000	(334)
Pro shop repairs	-	500	500
Landscaping	8,586	10,000	1,414
<b>Total Golf</b>	<b>99,037</b>	<b>93,300</b>	<b>(5,737)</b>
<b>General Building Maintenance</b>			
Janatorial supplies	8,333	9,000	667
Building supplies	18,679	19,000	321
Gas & generator	-	100	100
Electrical	6,802	10,000	3,198
Golf cart & gate repairs	8,418	2,500	(5,918)
Plumbing	1,188	1,000	(188)
Painting	1,574	2,000	426
A/C repairs	9,848	8,000	(1,848)
Fire inspections	259	600	341
Building repairs	22,330	27,500	5,170
Sound system & cameras	2,195	3,500	1,305
<b>Total General Building Maintenance</b>	<b>79,626</b>	<b>83,200</b>	<b>3,574</b>



**Cypress Lakes Master Homeowners' Association, Inc.**  
**Schedule of Operating Fund Revenues & Expenses**  
**Budget and Actual**  
**For the Year Ended December 31, 2015**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Expenses - Continued:</b>			
<b>Contract Services</b>			
Lake maintenance	13,140	11,940	(1,200)
Pest control	3,207	2,100	(1,107)
Gate security	220,405	218,525	(1,880)
Fire & burglar alarm	1,144	1,100	(44)
COP program	1,957	2,500	543
Muzak	3,150	4,000	850
Insurance	97,198	100,000	2,802
Contract labor	40,800	105,400	64,600
<b>Total Contract Services</b>	<b>381,001</b>	<b>445,565</b>	<b>64,564</b>
<b>Pool</b>			
Pool deck & furniture	669	5,400	4,731
Pool pumps & motors	-	2,500	2,500
Pool chemicals & supplies	28,727	15,500	(13,227)
Water testing	136	400	264
Heaters	587	2,000	1,413
Chemical feeds	-	500	500
<b>Total Pool</b>	<b>30,119</b>	<b>26,300</b>	<b>(3,819)</b>
<b>Grounds Maintenance</b>			
Landscaping	69,149	68,400	(749)
White fly treatments	10,735	15,600	4,865
Tree trimming	3,954	3,000	(954)
Critter control	330	1,500	1,170
Plantings	2,858	10,000	7,142
<b>Total Grounds Maintenance</b>	<b>87,026</b>	<b>98,500</b>	<b>11,474</b>
<b>Irrigation</b>			
Irrigation repairs	23,990	30,000	6,010
Pumps & motors	3,834	9,000	5,166
Fountain repairs & maintenance	2,137	13,000	10,863
Main repairs	3,338	6,000	2,662
<b>Total Irrigation</b>	<b>33,299</b>	<b>58,000</b>	<b>24,701</b>

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Schedule of Operating Fund Revenues & Expenses**  
**Budget and Actual - Continued**  
**For the Year Ended December 31, 2015**

<b>Expenses - Continued:</b>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Activities &amp; Recreational</b>			
Bingo	\$ (26)	\$ 400	\$ 426
Newsletter & directory	7,479	15,500	8,021
Cert	-	250	250
Movies	42	1,280	1,238
Billiards & hobbies	648	3,000	2,352
Kitchen supplies	1,902	3,000	1,098
Exercise equipment maintenance	4,039	4,100	61
<b>Total Activities &amp; Recreational</b>	<b>14,084</b>	<b>27,530</b>	<b>13,446</b>
<b>Reserve Allocation</b>			
Additional reserve transfers	134,094		(134,094)
Reserve allocation	357,684	357,684	-
<b>Total Reserve Allocation</b>	<b>491,778</b>	<b>357,684</b>	<b>(134,094)</b>
<b>Total Expenses</b>	<b>2,455,235</b>	<b>2,388,440</b>	<b>(66,795)</b>
<b>Excess (deficit) of revenues over expenses</b>	<b>\$ (52,310)</b>	<b>\$ -</b>	<b>\$ 52,310</b>
<b>Plus reserve transfers amount above</b>	<b>134,094</b>		
<b>Equals excess revenues over expenses per Statement of Revenues, Expenses, and Changes in Fund Balance</b>	<b>\$ 81,784</b>		

**Cypress Lakes Master Homeowners' Association, Inc.**  
**Required Supplementary Information on Future Major Repairs and Replacements**  
**December 31, 2015**

The estimated total lives, replacement costs, and remaining useful lives of common property components were prepared by the Board of Directors based on historical costs and anticipated future costs.

Reserve Account	Unaudited			Audited					Reserve Balance at 12/31/15
	Estimate Remaining Life 12/31/2015 In Years	Estimated Cost to Replace 12/31/15	Estimated Life In Years	Reserve Balance At 12/31/14	Assessed In 2015	Interest Added 2015	Adjustments & Transfers In 2015	Expenditures In 2015	
Pool/Jacuzzi	6	\$ 75,000	10	\$ 12,833	\$ 6,000			\$ (6,407)	\$ 12,426
Roads & Paving	16	250,000	20	41,306	24,000			(8,156)	57,150
Drains	4	750,000	30				134,094		134,094
Furniture	13	25,000	20	20,868	16,572				37,440
Roof	16	100,000	18	33,761	12,000				45,761
Capital Improvement	20	350,000	25	215,264	54,000			(75,029)	194,235
Tree L/S Replacement	1	40,000	10	25,732	12,000			(9,503)	28,229
Lights	6	40,000	25	24,872	2,400			(2,236)	25,036
Gutters/Down Spouts	5	15,000	25	6,760					6,760
Golf Equipment	5	40,000	10	15,602	24,000			(11,130)	28,472
Tennis/Shuffle/Bocca	10	60,000	25	17,085	12,000			(4,512)	24,573
Golf Capital Improvement	10	50,000	15	21,279				(2,249)	19,030
Floors	15	50,000	20	23,845					23,845
Guard House/Gates	16	80,000	25	24,759					24,759
Mechanical/Electrical	4	100,000	10	24,888	24,000			(4,765)	44,123
Office Equipment	10	5,000	10	8,175					8,175
Vehicles/Equipment	10	10,000	10	18,274	17,400				35,674
Painting	3	60,000	7	27,567	36,000			(19,000)	44,567
Fences	18	272,232	30	43,243	57,312			(24,963)	75,592
Pool Deck	5	25,000	8	12,247				(9,809)	2,438
Pump house/Irrigation	6	80,000	20	24,917	24,000			(8,086)	40,831
Exercise/Billiards	10	50,000	15	14,239	12,000			(7,955)	18,284
A/C Units	5	37,000	18	53,000	24,000				77,000
Interest						4,052		(312)	18,240
Insurance Deductible	0	135,768	0	14,500					162,562
		<u>\$ 2,700,000</u>		<u>\$ 887,578</u>	<u>\$ 357,684</u>	<u>\$ 4,052</u>	<u>\$ 134,094</u>	<u>\$ (194,112)</u>	<u>\$ 1,189,296</u>

At December 31, 2015, the replacement fund was underfunded by approximately \$270,640

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See Independent Auditor's Report